Illinois

TAX HANDBOOK for Legislators

20th Edition
May 2004

Illinois General Assembly
LRU
LEGISLATIVE RESEARCH UNIT

Illinois Tax Handbook for Legislators, 2004

Twentieth Edition

Legislative Research Unit
Springfield, Illinois

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This publication gives information on every significant Illinois state tax. Each is described in a separate section listing its history, rates, statutory authority, revenue collected, and disposition of proceeds. The Tax Handbook also notes federal taxes (if any) that apply to the same transactions; taxes on similar transactions in selected states (usually those with the highest and lowest rates); and taxes on the same items or transactions that local governments in Illinois are authorized to impose.

The two largest sources of state revenue are the individual income tax and the sales tax. The state lottery, although not a tax, is listed because it is a significant source of general state revenue. Figure 1 and Table 1 on pages 4 and 5 summarize state tax collections in fiscal years 2002 and 2003. The state also collected about $967.5 million in personal property tax replacement taxes from businesses. But that money is all distributed to local governments, and thus is not reflected in Figure 1 or Table 1. Nor do Figure 1 and Table 1 reflect assessments on hospitals and nursing homes to help cover the cost of state medicaid reimbursements. Those assessments brought in $818 million in fiscal year 2003. The state also received $407.3 million from the tobacco lawsuit settlement involving Illinois and other states.

Most revenue figures in this publication show receipts recorded by the Comptroller upon deposit into the State Treasury. In a few cases, due to lack of detail in the Comptroller's figures, it instead shows actual tax collections as reported by the Department of Revenue. The Comptroller's deposits into the State Treasury for a given fiscal year may differ from tax collections that year because some tax collections for a fiscal year may not be reported to the Comptroller until the next fiscal year. But the Comptroller's deposits into the Treasury give the more accurate view of revenue from each tax over a period of time.

FY 2003 Receipts From Four Largest Taxes

Receipts from the four major taxes to the state's general funds (General Revenue Fund, Common School Fund, and Educational Assistance Fund) were 1.8% less in fiscal year 2003 than in fiscal 2002. The table at the top of the next page shows that individual income tax revenue fell 1.3%, corporate income tax revenue fell 3.0%, sales tax revenue fell 0.8%, and public utility tax revenue fell 9.1%.

Tax	*FY 02 (millions)*	*FY 03 (millions)*	*% change*
Individual income tax	$8,085.9	$7,979.3	-1.3%
Sales tax	6,617.0	6,563.4	-0.8
Public utility taxes	1,355.4	1,232.3	-9.1
Corporate income tax	1,042.7	1,011.6	-3.0
Total, all four taxes	$17,101.0	$16,786.6	-1.8%

Trends in FY 2004

In the first 6 months of FY 2004 (July through December 2003), general fund receipts from the four major taxes were $7.353 billion, up 2.3% from $7.186 billion in the same part of FY 2003. Individual income tax receipts were $3.187 billion (down 3.8%), but corporate income tax receipts were $412 million (up 30.3%). Sales tax receipts were $3.233 billion (up 3.6%) and public utility tax receipts were $521 million (up 9.0%). These figures include the $287 million received from the tax amnesty program, which collected $149 million in corporate income tax, $95 million in sales tax, $34 million in individual income tax, and $9 million in public utility taxes. The table below compares receipts from the four major taxes in the preceding fiscal year (2003) to what the corresponding receipts in the first 6 months of fiscal year 2004 would have been without amnesty collections. (Those numbers assume that amnesty collections did not "cannibalize" any regular tax collections during those first 6 months.)

Tax	*FY 03 (billions)*	*FY 04 exc. amnesty (billions)*	*% change*
Individual income tax	$3.309	$3.153	-4.7%
Sales tax	3.116	3.138	0.7
Public utility taxes	0.474	.512	8.0
Corporate income tax	0.287	.263	-8.4
Total, all four taxes	$7.186	$7.066	-1.7%

Legal Authority for Taxes

The Illinois Constitution of 1970 says that, except as otherwise provided, the General Assembly has exclusive power to raise revenue through taxation. The Constitution authorizes the General Assembly to levy property, sales, use, franchise, privilege, income, excise, inheritance, gift, severance, and all other kinds of taxes, subject to some restrictions. The General Assembly may classify the subjects and objects of non-property taxes, but the classes must be reasonable and the subjects and objects in each class must be taxed uniformly. Exemptions, deductions, credits, refunds, and other allowances must be reasonable.

The constitutional authorization for income taxes limits the state to one income tax on individuals and one on corporations (not counting the tax to replace the corporate personal property tax). Tax rates cannot be graduated. The rate imposed on corporations cannot exceed that on individuals by a ratio of more than 8 to 5.

Local taxes in Illinois fall into two categories: those specifically authorized by statute, and those that home-rule units can impose without statutory authority. Home-rule units may impose any kind of tax not prohibited by the Constitution or specifically prohibited by law. Rate limits and procedural requirements in a law authorizing a local tax do not limit home-rule units unless that law explicitly says so. The Constitution specifically prohibits home-rule units from licensing for revenue, or imposing taxes on income or occupations, unless authorized by statute.

Figure 1: Percentages of Revenue Collected by Major State Taxes, FY 2003

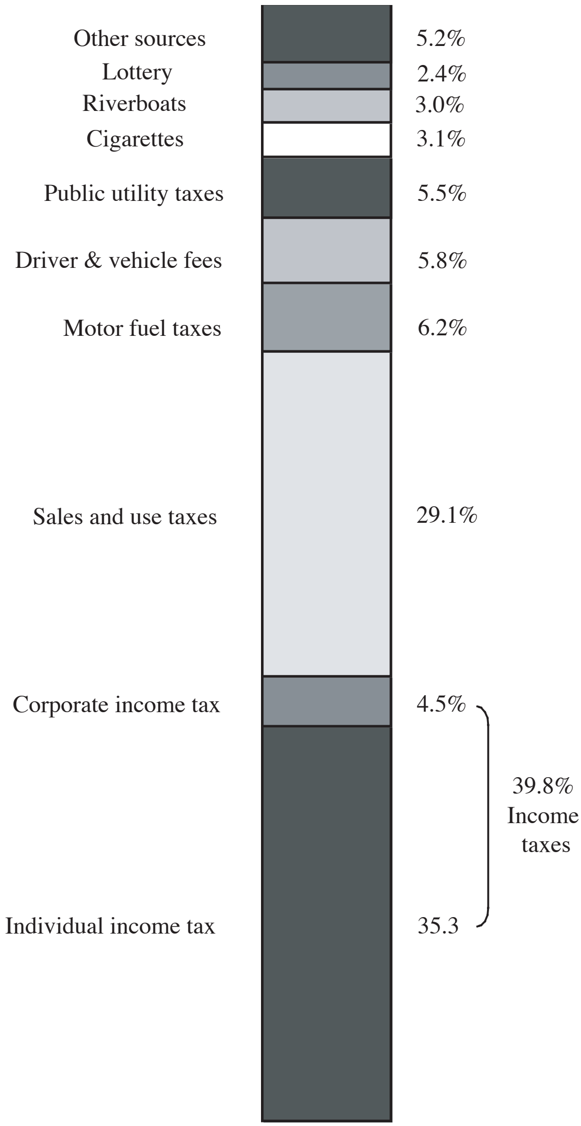


Table 1: State Tax & Lottery Receipts, FYs 2002 & 2003

	FY 2002		FY 2003		% change
	Amount (millions)	*% of total*	*Amount (millions)*	*% of total*	*FY'02 FY'03*
Individual income tax	$8,085.9	35.6%	$7,979.3	35.3%	-1.3%
Sales tax	6,617.0	29.1	6,563.4	29.1	-0.8
Driver's license & motor vehicle fees	1,380.4	6.1	1,307.8	5.8	-5.3
Motor fuel tax	1,373.5	6.0	1,388.3	6.2	1.1
Public utility tax	1,355.4	6.0	1,232.3	5.5	-9.1
Corporate income tax	1,042.7	4.6	1,011.6	4.5	-3.0
Riverboat wagering taxes & fees	580.2	2.6	670.5	3.0	15.6
State lottery	555.1	2.4	540.3	2.4	-2.7
Cigarette tax	468.8	2.1	699.8	3.1	49.3
Estate tax	329.2	1.4	236.9	1.0	-28.0
Insurance tax & fees	312.4	1.4	361.5	1.6	15.7
Corporation franchise tax & fees	162.4	0.7	144.9	0.6	-10.8
Hotel operators' tax	154.5	0.7	145.6	0.6	-5.8
Liquor tax & fees	126.1	0.6	126.9	0.6	0.6
Real estate transfer tax	65.2	0.3	71.4	0.3	9.5
Vehicle use tax	43.4	0.2	39.2	0.2	-9.7
Automobile rental tax	28.8	0.1	26.5	0.1	-8.0
Racing tax & fees	13.1	0.1	12.4	0.1	-5.3
Pull tab & jar games tax & fees	7.6	<0.1	7.6	<0.1	0.0
Bingo tax & fees	4.9	<0.1	4.7	<0.1	-4.1
Vehicle-replacement tax*	1.4	<0.1	1.6	<0.1	14.3
Coin-operated amusement tax	1.3	<0.1	1.2	<0.1	-7.7
Charitable games tax & license fees	0.1	<0.1	0.1	<0.1	0.0

Notes:

< This symbol means "less than."

* The tax on replacement vehicles was repealed as of July 1, 2003.

Automobile Renting Occupation & Use Tax

The Automobile Renting Use Tax applies to the lessee of any automobile; van with capacity of 7-16 passengers; or recreational vehicle, for the privilege of using it on Illinois highways. This tax is collected by the lessor, who can be relieved of the duty of paying it by paying the Automobile Renting Occupation Tax on gross receipts from the transaction. These taxes apply only to rental agreements for periods up to 1 year, such as short-term rentals at airports, motels, etc. Administered by Department of Revenue. (35 ILCS 155/1 ff.)

Rate and base: 5% of automobile rental charge.

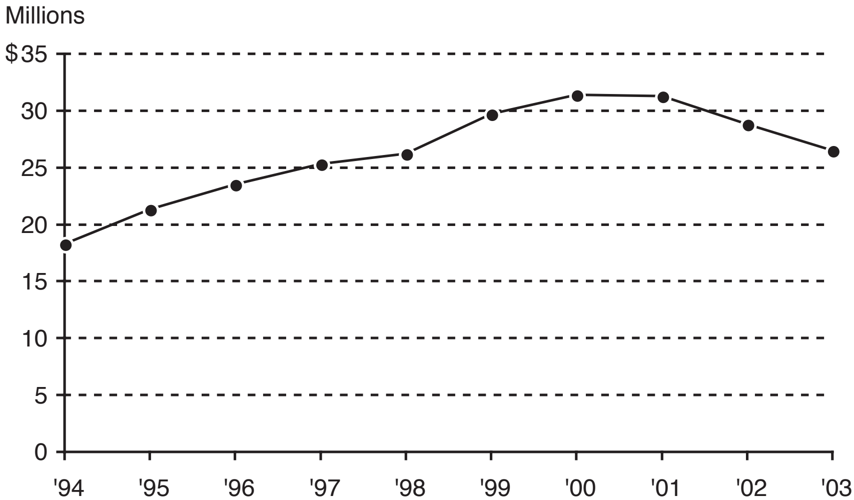
Exemptions

1. Rentals to governmental bodies, or charitable, religious, or educational organizations.
2. Rentals to nonprofit organizations created to provide recreation for persons over age 55.
3. Rentals in which the lessor retains possession of the automobile (such as limousine service).
4. Rentals of demonstrator cars by automobile dealers.

History: The state began collecting a 4% tax on January 1, 1982, simultaneously exempting from the sales tax vehicles that were bought for rental. The rate rose to 5% on July 1, 1985.

State revenue collected

Fiscal year	*Receipts (millions)*	*Change*	*Fiscal year*	*Receipts (millions)*	*Change*
1994	$18.3	-2.7%	1999	$29.7	13.4%
1995	21.3	16.4	2000	31.4	5.7
1996	23.5	10.3	2001	31.3	-0.3
1997	25.3	7.7	2002	28.8	-8.0
1998	26.2	3.6	2003	26.5	-8.0



Disposition of proceeds: To the General Revenue Fund.

Other taxes on same transactions
Federal: None.

Local: Since 1982, municipalities, counties, and the Regional Transportation Authority (RTA) have been authorized to impose occupation and use taxes on automobile rentals (65 ILCS 5/8-11-7 and 5/8-11-8; 55 ILCS 5/5-1032 and 5/5-1033; and 70 ILCS 3615/4.03.1). The Metropolitan Pier and Exposition Authority imposes a 6% tax on automobile rentals in Cook County to finance McCormick Place expansion (70 ILCS 210/13(d)).

Such taxes imposed by non-home-rule municipalities and counties cannot exceed 1% of the rental charge. The RTA tax rate cannot exceed 1% in Cook County, or 0.25% in DuPage, Kane, Lake, McHenry, and Will Counties. (The RTA levies taxes at those maximum rates.) These taxes are collected by the state and paid to municipalities and counties. Home-rule units can impose taxes beyond these limits. Over 200 Illinois municipalities and 4 counties tax automobile rentals.

Other states' taxes on automobile rentals:

State	*Percentage*		*Per day*
Alaska	10.0		
New Hampshire	8.0		
Minnesota (up to 28 days)	6.2		
Oklahoma (up to 90 days)	6.1		
Arkansas (up to 30 days)	6.0		
Florida	6.0		
Mississippi (up to 30 days)	6.0		
Rhode Island (up to 10 days)	6.0		
New Mexico (no time limit listed)	5.0	+	$2
Arizona (up to 180 days)	5.0		
Iowa (up to 60 days)	5.0		
New York (up to 1 year)	5.0		
South Carolina (up to 31 days)	5.0		
Nebraska (up to 31 days)	4.5		
South Dakota (up to 28 days)	4.5		
Indiana (up to 30 days)	4.0		
Virginia	4.0		
Wyoming (up to 29 days)	4.0		
Kansas (up to 28 days)	3.5		
Pennsylvania (no time limit listed)	3.0	+	$2
Connecticut (up to 30 days)	3.0	+	$1
Georgia (no time limit listed)	3.0		
Kentucky	3.0		
Louisiana (less than 30 days)	3.0		
North Dakota (up to 30 days)	3.0		
Wisconsin (up to 30 days)	3.0		
Alabama	1.5		
North Carolina	1.5		
Hawaii (up to 6 months)	-		$3
New Jersey (up to 28 days)	-		$2

In addition to those states, regular sales taxes apply to short-term automobile rentals in California (6.0%), Colorado (2.9%), Idaho (6.0%), Maine (5.0%), Massachusetts (5%), Michigan (6.0%), Missouri (4.225%), Nevada (6.5%), Ohio (6.0%), Tennessee (7%), Texas (6.25%), Utah (4.75%), Vermont (5.0%), Washington (6.5%), and West Virginia (6%). Maryland imposes a sales tax of 10% on automobile rentals up to 180 days.

Bingo Tax and License Fees

Illinois gets two forms of revenue from licensed bingo games: license fees, and the bingo game receipts tax. Administered by Illinois Gaming Board in the Department of Revenue. (230 ILCS 25/1 ff.)

Rate and base

1. Bingo license fees: (a) $200 fee for an annual license for a nonprofit religious, charitable, labor, fraternal, educational, senior citizens', youth athletic, or veterans' organization to conduct bingo on one day per week, with up to 25 games on that day, throughout the year. (Bingo games at the Illinois State Fair or county fairs are not subject to the limits on number of games per day or number of days.) (b) $50 fee for a limited license, issued to such an organization, for bingo games at no more than two events per year, for a maximum of 5 days each time. (c) $200 fee for an annual license issued to anyone leasing out facilities or selling bingo equipment or supplies to licensed bingo organizations. (Municipalities that lease facilities for bingo need not buy the $200 license.)
2. Bingo game receipts tax: 5% of gross receipts from bingo games.

History: These taxes were enacted in 1971. The bingo game receipts tax was reduced from 10% to 5% on January 1, 1979.

State revenue collected

	License fees		*Bingo receipts tax*	
Fiscal year	*Receipts (thousands)*	*Receipts Change*	*(millions)*	*Change*
1994	$375	4.7%	$7.5	-3.8%
1995	336	-10.4	7.3	-2.7
1996	332	-1.2	7.1	-2.7
1997	318	-4.2	6.7	-5.6
1998	300	-5.7	6.5	-3.0
1999	290	-3.3	5.8	-10.8
2000	252	-13.1	5.5	-5.2
2001	244	-3.2	5.0	-9.1
2002	246	0.8	4.9	-2.0
2003	218	-11.4	4.7	-4.1

Distribution:
1. Bingo license fees: To the General Revenue Fund.
2. Bingo game receipts tax:
   (a) 50% to the Mental Health Fund.
   (b) 50% to the Common School Fund.

Other taxes on bingo
Federal: None.

Local: No tax is authorized by statute. Home-rule units apparently cannot collect license fees because of the restriction on licensing for revenue in the Illinois Constitution, art. 7, subsec. 6(e). A tax on gross receipts of bingo operators probably would also be invalid under that provision as an occupation tax.

Other states' taxes
Arizona, Kansas, Minnesota, Mississippi, Missouri, Montana, New Hampshire, Oklahoma, Texas, and Wisconsin appear to be the only states separately taxing operation of bingo games. Arizona imposes a tax of 2.5% on licensees with annual receipts up to $15,600; 1.5% on licensees with receipts of $15,601 to $300,000; and 1% on licensee with receipts over $300,000. Kansas imposes a 3% tax on bingo game licenses and a 1% tax on printed bingo cards sold to Kansas licensees. Minnesota taxes 8.5% of gross receipts minus prizes paid. The Mississippi tax on charitable bingo games ranges from 0.5% to 1% depending on the classification of the charitable organization. A separate tax of up to 2.5% of net proceeds applies to electronic bingo machines in Mississippi. Missouri imposes a tax of 0.02¢ per bingo card. Montana charges 1% of gross proceeds. New Hampshire's tax is 7% of gross receipts. Oklahoma charges 1¢ per bingo card or "U-PIC-UM" game set, payable by licensed distributors and sellers of charitable games equipment. Texas levies a 2% tax on gross receipts from games, and 3% of gross receipts from renting facilities for bingo games; it also collects 3% of the amount or value of each prize. Wisconsin's tax is 2% of gross receipts and is used to finance the state's regulatory costs.

Charitable Games Tax and License Fees

The state gets two kinds of revenue from licensed charitable games: license fees, and the charitable games receipts tax. Charitable games covered include roulette, blackjack, poker, pull tabs, craps, bang, beat the dealer, big six, gin rummy, five-card stud poker, chuck-a-luck, keno, hold-em poker, and a merchandise wheel. No single bet at any game may exceed $10. Administered by Illinois Gaming Board in the Department of Revenue. (230 ILCS 30/1 ff.)

Rate and base:

1. Charitable games license fees: (a) $200 annual fee for a license to a nonprofit charitable, religious, fraternal, veterans', labor, or educational organization to hold up to 4 charitable-games nights per year (up to 8 per year in a county under 60,000 if there is no other suitable location for holding games within 5 miles of the premises). (b) $50 annual fee for a license issued to anyone leasing out facilities or selling supplies to licensed organizations holding charitable-games nights. (c) $500 annual fee for a license to make or supply equipment used for such games.
2. Charitable games receipts tax: 3% of gross proceeds from charitable-games nights.

History: The tax took effect September 1, 1986.

State revenue collected

Fiscal	*License fees*		*Charitable games tax*	
year	*Receipts*	*Change*	*Receipts*	*Change*
1994	$104,800	-2.4%	$571,651	14.7%
1995	53,200	-49.2	515,438	-9.8
1996	95,600	79.7	216,754	-57.7
1997	55,150	-43.3	182,608	-15.8
1998	45,450	-17.6	139,652	-23.5
1999	43,000	-5.4	126,436	-9.5
2000	39,200	-8.8	111,214	-12.0
2001	32,350	-17.5	114,927	3.3
2002	32,750	1.2	110,577	-3.8
2003	36,200	10.5	102,521	-7.3

Disposition: To the Illinois Gaming Law Enforcement Fund.

Other taxes on charitable games
Federal: None.

Local: No tax is authorized by statute. Home-rule units probably cannot collect license fees due to the restriction on licensing for revenue in the Illinois Constitution, art. 7, subsec. 6(e). A tax on the gross receipts of charitable-games operators probably would also be invalid under the same subsection as an occupation tax.

Counties and municipalities are authorized to license and regulate raffles held by nonprofit charitable, educational, religious, fraternal, veterans', labor, and some kinds of business organizations (230 ILCS 15/1 ff.).

Other states' taxes
At least eight states tax proceeds of charitable games. Colorado imposes a tax at a rate set by regulation, but limited to 40% of adjusted gross proceeds (receipts minus payments to players). Gross receipts of charitable games are also taxed by Kentucky (0.4%), Missouri (2.0%), South Dakota (8%), Minnesota (8.5%), and New Mexico, and Oklahoma (10%). Nebraska imposes three rates: 3% of gross receipts from bingo; 1% of definite profit from pickle cards; and 2% of gross receipts from keno, small lotteries, and raffles. North Dakota taxes charitable games at four rates: 5% of gross receipts up to $200,000; 10% of receipts from $200,001 to $400,000; 15% of receipts from $400,001 to $600,000; and 20% of receipts over $600,000. New Hampshire imposes a tax of 40% of the wholesale cost of "lucky seven" tickets sold by charitable organizations.

Cigarette and Other Tobacco Taxes

A matching pair of taxes applies to cigarettes: the cigarette tax, and the cigarette use tax. Wholesale distributors collect the cigarette tax from retailers, who collect the use tax from customers. Retail sellers are relieved of paying the use tax if they pay the cigarette tax to distributors. Ultimately, distributors are responsible for sending the money to the state. Administered by Department of Revenue. (Cigarette tax, 35 ILCS 130/1 ff.; cigarette use tax, 35 ILCS 135/1 ff.)

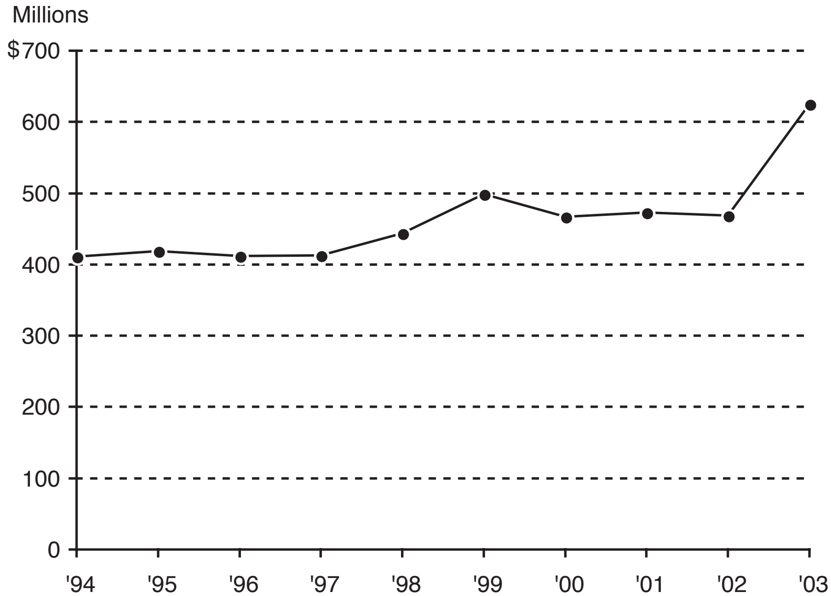
Rate and base: 4.9¢ per cigarette (98¢ per package of 20).

History: The cigarette tax was enacted in 1941 at a rate of 0.1¢ per cigarette (2¢ per package of 20). The use tax was added in 1951. Rate changes since then are shown below. (The rate increase from 2.9¢ to 4.9¢ per cigarette took effect at the start of fiscal year 2003.)

Year	*Per cigarette*	*Per pack of 20*	*Year*	*Per cigarette*	*Per pack of 20*
1941	0.10 ¢	2¢	1969	0.6¢	12¢
1947	0.15	3	1985	1.0	20
1959	0.20	4	1989	1.5	30
1960	0.15	3	1993	2.2	44
1961	0.20	4	1997	2.9	58
1965	0.35	7	2002	4.9	98
1967	0.45	9			

State revenue collected

Fiscal year	*Receipts (millions)*	*Change*	*Fiscal year*	*Receipts (millions)*	*Change*
1994	$411.1	29.2%	1999	$499.1	12.5%
1995	419.2	2.0	2000	467.3	-6.4
1996	411.7	-1.8	2001	472.6	1.1
1997	412.7	0.2	2002	468.8	-0.8
1998	443.7	7.5	2003	624.9	33.3



Distribution:

1. $9 million per month of the amount resulting from the increase enacted in 1985, to the Common School Fund.
2. $5 million per month to the School Infrastructure Fund beginning April 1, 2003.
3. All additional revenue from the increase of 14¢ per pack in 1997, to the Common School Fund.
4. Through June 2002, $4.8 million per year to the Metropolitan Fair and Exposition Authority Reconstruction Fund; from fiscal year 2002 and 2003 collections, $4.8 million per year to the Statewide Economic Development Fund.
5. $16 million to the General Revenue Fund.
6. Remainder:
   (a) any unpaid amounts required to be paid into the General Revenue Fund for past months;
   (b) any unpaid amounts required to be paid into the Long-Term Care Provider Fund.

Other taxes on cigarettes

Federal: The federal tax is 39¢ per pack of 20 cigarettes.

Local: State law authorizes a municipal cigarette tax of 1¢ per package of 20, but it cannot be imposed by municipalities in which the state already collects a municipal home-rule retailers' occupation (sales) tax (65 ILCS 5/8-11-3). Home-rule units can collect their own taxes on cigarettes. Chicago collects 16¢ per pack of 20, and Cook County $1.00 (up from 18¢) as of April 1, 2004. The Cook County tax is collected in both Chicago and the suburbs. Combined rates are:

	Chicago	*Cook County suburbs*	*Rest of state*
City	$ .16	-	-
County	1.00	$1.00	-
State	.98	.98	$ .98
Federal	.39	.39	.39
Totals	$2.53	$2.37	$1.37

Other states' taxes

The rate per package of 20 cigarettes varies from 2.5¢ in Virginia to $2.05 in New Jersey. As of March 2004, neighboring states' rates per pack of 20 cigarettes were:

Michigan	$1.25	Iowa	$0.36
Wisconsin	0.77	Missouri	0.17
Indiana	0.555	Kentucky	0.03

Other Tobacco Products

A tax is imposed on other tobacco products including cigars; cheroots; stogies; perique, granulated, plug cut, crimp cut, ready rubbed, and other smoking tobacco; snuff or snuff flour; cavendish; plug and twist tobacco; fine-cut and other chewing tobaccos; and other forms of tobacco usable for chewing or smoking in a pipe or otherwise. (35 ILCS 143/1 ff.)

Rate and base: 18% of wholesale price (distributor's cost price for the products).

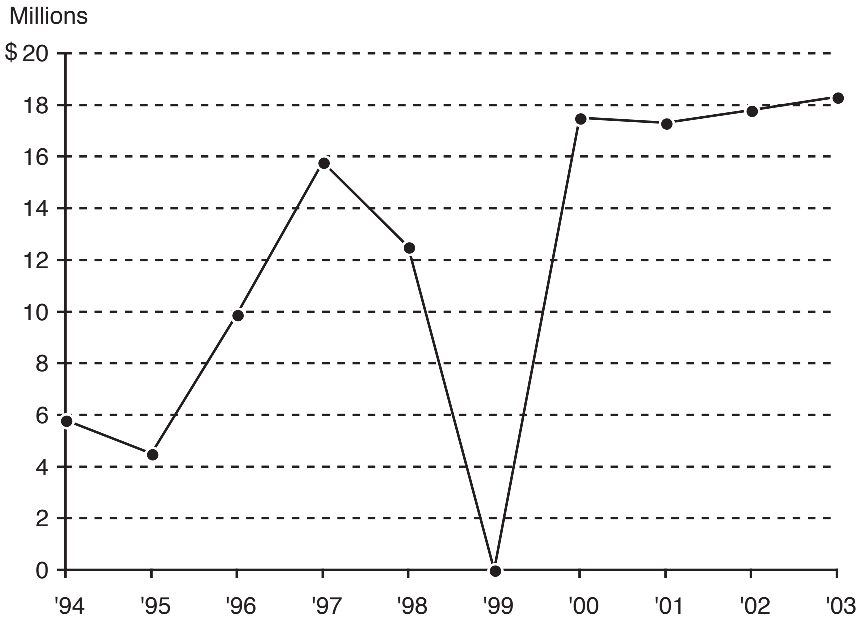
History: The tax was enacted in 1993. In January 1995 a Cook County circuit judge held that it violated the U.S. Constitution's Commerce Clause because the law defined the distributor's cost price for these products in such a way that an Illinois manufacturer might have a lower cost price (and thus a lower tax base) than a distributor of the products from out of state. That tax was repealed in 1995 and replaced with a new tax avoiding the defects in the 1993 law. The rate was reduced from 20% to 18% of the wholesale price of these tobacco products.

A Cook County circuit judge then held that the 1995 law violated the single-subject rule of the Illinois Constitution (article 4, subsec. 8(d)). The Department of Revenue stopped collecting the tax, and no revenue was collected in fiscal year 1999. But the Illinois Supreme Court on July 1, 1999 reversed that decision and upheld the 1995 law (Arangold v. Zehnder, 187 Ill. 2d 341, 718 N.E.2d 191 (1999)). The case was remanded to the Cook County circuit court. All revenues for fiscal years 1999 and later were held in a special account. The case was resolved and $74.9 million (the amount collected since FY 1999) deposited into the Long-Term Care Provider Fund in FY 2003.

State revenue collected

Fiscal year	*Receipts (millions)*	*Change*
1994	$ 5.8	∞
1995	4.5	-22.4%
1996	9.9	120.0
1997	15.8	59.6
1998	12.5	-20.9
1999	0.0	-100.0
2000	17.5	∞
2001	17.3	-1.1
2002	17.8	2.9
2003	18.3	2.8

Note: The infinity symbol (∞) for FYs 1994 and 2000 reflects the fact that collections rose in each of those years from zero the preceding year.



Disposition: Long-Term Care Provider Fund.

Other taxes on other tobacco products
Federal:

Class	*Rate*
Cigars	
small (under 3 lbs. per 1,000)	$1.828 per 1,000 cigars
large (over 3 lbs. per 1,000)	18.063% of wholesale price (limited to $48.75 per 1,000)
Smokeless tobacco	
snuff	58.5¢ per pound
chewing tobacco	19.5¢ per pound
Pipe tobacco	1.0969¢ per pound

Local: None.

Other states' taxes
At least 47 states tax forms of tobacco other than cigarettes. Among the 40 states that tax all tobacco products at a fixed percentage of price (as the Illinois law does for products other than cigarettes), the range is from 2% in North Carolina to 129.42% in Washington.

Coin-Operated Amusement Device and Redemption Machine Tax

The tax is imposed on the privilege of operating coin-operated amusement devices (video games, jukeboxes, pinball and redemption machines, and the like) that use coins, tokens, chips, or similar objects. Administered by Department of Revenue. (35 ILCS 510/1 ff.)

Rate and base: $30 per machine per year. All licenses expire July 31.

History: The tax was enacted in 1953 at rates of $10 to $50 for each machine depending on its type. In 1963 that was simplified into a privilege tax of $10 per coin-receiving slot. In 1989 it was briefly changed to $25 (then reduced to $15) per machine. In 1992, "redemption machines" (devices involving throwing, rolling, shooting, etc., a ball into a hole or at a target to win a prize valued at no more than $5, or 7 times the cost of a single play) were legalized and added to the tax base. In 2003 the rate was increased to $30 per machine. (That increase took effect June 20, 2003, so almost none of it is reflected in the revenue collections shown below.)

State revenue collected

Fiscal year	*Receipts (thousands)*	*Change*	*Fiscal year*	*Receipts (thousands)*	*Change*
1994	$1,308.9	-16.7%	1999	$1,249.8	-9.1%
1995	1,325.8	1.3	2000	1,316.4	5.3
1996	1,384.4	4.4	2001	1,316.4	0.0
1997	1,384.9	0.0	2002	1,339.9	1.8
1998	1,374.7	-0.7	2003	1,164.1	-13.1

Disposition: To the General Revenue Fund.

Other taxes on coin-operated amusement machines
Federal: None.

Local: Illinois law permits municipalities to impose taxes or license fees on amusement devices (65 ILCS 5/11-55-1). Counties can impose such taxes and fees in unincorporated areas (55 ILCS 5/5-1076).

Other states' taxes

Seven states impose annual taxes on each coin-operated amusement device, and six states tax gross receipts from these devices. One state (South Dakota) is in both groups:

State	*Rate per machine*	*State*	*Percent of gross receipts*
Alaska	$48 to 240	Mississippi	7.0%
South Carolina	25 to 365	Iowa	5.0
Tennessee	100	Kansas	4.9
Oklahoma	40	Arkansas	4.5
Nebraska	25	South Dakota	4.0
South Dakota	12	Georgia	3.0
Kentucky	10		

Virginia allows local taxes to be imposed on coin-operated amusement devices. The tax is limited to $200 for 10 or more machines (it is under $200 for fewer than 10 machines). Localities may also impose gross receipts taxes on amusement device operators within their territory.

Corporation Franchise Taxes and Fees

Each corporation doing business in Illinois, whether it is domestic (incorporated in Illinois) or foreign (incorporated elsewhere), must pay an annual franchise tax. The tax is also imposed when a corporation starts doing business in Illinois. An additional franchise tax is due when a corporation changes its capital structure or engages in merger or consolidation activity. Administered by Secretary of State. (805 ILCS 5/15.05 ff.)

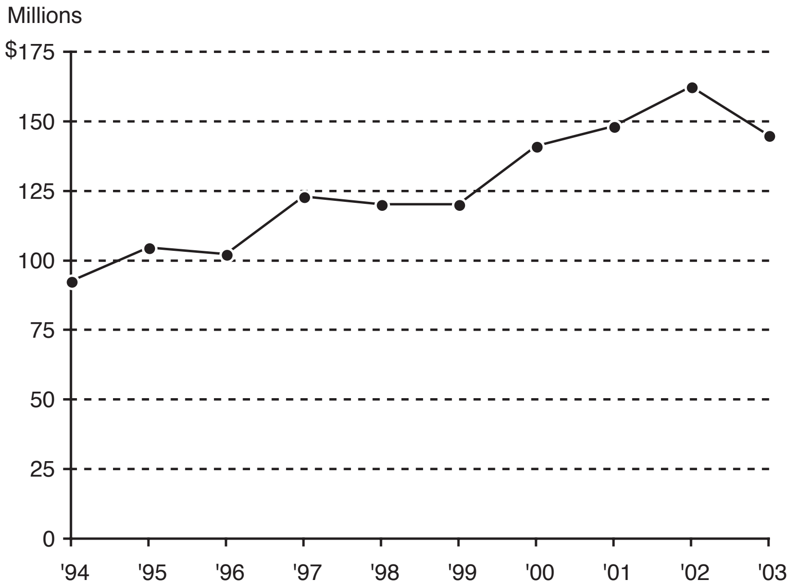
Rate and base: Rates are based on a corporation's paid-in capital (the total amount paid to the corporation by initial buyers of shares):

1. Initial franchise tax: 0.15% of paid-in capital.
2. Additional franchise tax: 0.15% of any increases in paid-in capital during the year.
3. Annual franchise tax: 0.1% of paid-in capital each year.

History
1. Initial franchise tax: From 1934 through 1966 the rate was 0.05% of stated capital and paid-in surplus. In 1967 it was doubled to 0.1%, and in 1991 it rose again to 0.15%.
2. Additional franchise tax: From 1934 to 1966 the rate was 0.05% of the increase in the sum of stated capital and paid-in surplus. In 1967 it was doubled to 0.1%. In 1983 the due date for the tax was changed from July 1 to the corporation's anniversary incorporation. In 1991 the rate rose again to 0.15%.
3. Annual franchise tax: From 1934 to June 30, 1983 the rate was 0.05% of stated capital and paid-in surplus. On that date it was doubled to 0.1%.
4. (Repealed) Supplemental annual franchise tax: From 1967 to 1981 the rate was 0.05% of stated capital and paid-in surplus. It was repealed in 1981.

State revenue collected

Fiscal year	*Receipts (millions)*	*Change*	*Fiscal year*	*Receipts (millions)*	*Change*
1994	$ 92.5	-0.5%	1999	$120.2	0.1%
1995	104.6	13.1	2000	141.1	17.4
1996	102.3	-2.2	2001	148.3	5.1
1997	122.9	20.1	2002	162.4	9.5
1998	120.1	-2.3	2003	144.9	-10.8



Distribution:
1. 98% to the General Revenue Fund.
2. 2% to the Corporate Tax Refund Fund.

Other corporate franchise taxes
Federal: None.

Local: Local taxation of invested capital of large corporations would be impractical.

Other states' taxes
All states impose a variety of initial and annual franchise taxes on corporations based on their capital stock and paid-in surplus. Tax schedules vary considerably from state to state.

Driver's License and Vehicle Fees

The state imposes a wide variety of fees on operators of motor vehicles. Administered by Secretary of State. (625 ILCS 5/2-119, 5/3-801 to 5/3-834, and 5/6-118)

Rates and bases: Some fees are flat amounts per driver or vehicle; others vary by vehicles' maximum load capacity. Fees are due annually except as noted.

Driver's License Fees	
Original driver's license (lasts 4 years)	$ 10
Renewal (lasts 4 years)	10
License or renewal—age 69 to 80:	5
age 81 to 86 (lasts 2 years)	2
age 87 or over (lasts 1 year)	0
Original driver's license or renewal—	
age 18, 19, or 20 (lasts 3 months past age 21)	5
Instruction permit—original:	20
age 68 or below, previously licensed in Illinois but not now licensed	10
age 69 or over	5
Changing driving classification	5
Restricted driving permit	8
Duplicate or corrected license or permit	5
Reinstatement fees after:	
suspension for DUI	250
other suspension	70
revocation	500

Vehicle Registration Fees	
Passenger car	$78
Person receiving a "circuit breaker" grant	24
Electric vehicle (lasts 2 years)	35
Charges for special plates (in addition to regular fee)	
Personalized plates	47
Annual renewal	7
Vanity plate	94
Annual renewal	13

Vehicle Registration Fees (continued)	
Custom Vehicle or Street Rod plate	$15
Bronze, Gold, or Silver Star plate, WWII,	
Korean War, Vietnam War, and Universal veteran plate	15
Annual renewal	0
America Remembers, collegiate, environmental, Illinois-Michigan Canal, pet friendly, Route 66, sporting series, Wildlife Prairie Park, violence prevention, and youth park district plates	40
Annual renewal	27
Mammogram, Master Mason, Organ Donor, and Police Memorial plates	25
Annual renewal	25
Illinois firefighters memorial plate	27
Annual renewal	17
Marine Corps plate	20
Annual renewal	20
Mayor/Village President, POW/MIA, West Point Bicentennial plate	15
Annual renewal	2
Education plate	40
Annual renewal	40
Amateur radio (first issuance)	4
Motorcycles	38
(in addition to regular fee)	
Vanity plate	50
Personalized plate	25
Trailers only	
Up to 3,000 lbs.	18 to
to 40,000 lbs.	1,502
Vehicles with permanently mounted equipment	
(trucks with mounted facilities, cranes, etc.)	
Up to 10,000 lbs.	45 to
to 80,000 lbs.	385
Recreational vehicles	
Up to 8,000 lbs.	78 to
to 10,000 lbs. or more	102*
Camping or travel trailers	
Up to 3,000 lbs.	18 to
to 10,000 lbs. or more	50*

VEHICLE REGISTRATION FEES (continued)

Farm trucks	
Up to 16,000 lbs.	$ 150 to
to 80,000 lbs.	1,490
Farm trailers	
Up to 10,000 lbs.	60 to
to 36,000 lbs.	650
Commercial vehicles—bus, truck, or truck trailers	
Up to 8,000 lbs.	78 to
to 80,000 lbs. with 5 or more axles	2,790

* A person receiving a "circuit breaker" grant can register one vehicle of up to 8,000 pounds for half the fee shown.

The owner of a commercial vehicle has the option of buying a license based on the distance the vehicle travels per year. A $10 registration fee is added to the following rates for vehicle weight:

Gross weight of vehicle plus load	*Minimum guaranteed mileage weight tax*	*Maximum mileage under guaranteed tax*	*Mileage weight tax for mileage over guaranteed mileage*
Bus, truck, or truck tractor			
Up to 12,000 lbs. to 80,000 lbs.	$ 83 to 1,425	5,000 to 7,000	2.6¢ to 27.5¢
Trailer			
Up to 14,000 lbs. to 40,000 lbs.	$ 85 to 760	5,000 to 7,000	3.1¢ to 15.0¢

A commercial distribution fee equal to 36% of total taxes is charged for use of the public highways, state infrastructure, and state services. The fee applies to commercial vehicles over 8,000 lbs., and to those under 8,000 lbs. that have claimed the sales and use tax exemption for rolling stock.

History: When Illinois motor vehicle laws were codified in 1919, license fees for cars ranged from $8 to $25 depending on horsepower (as calculated by a formula). Fees for commercial vehicles ranged from $12 to $60 depending on weight. The fees rose over the years, but did not change from 1967 until 1984.

A revised fee schedule took effect January 1, 1984. License fees for small cars rose from $18 to $36 initially, and to $48 the next year. The fee for large cars rose from $30 to $48 immediately. Graduated fees for large commercial vehicles rose by as much as 66% (for semitrailers up to 40,000 pounds), and fees for recreational vehicles weighing over 10,000 pounds rose 44%.

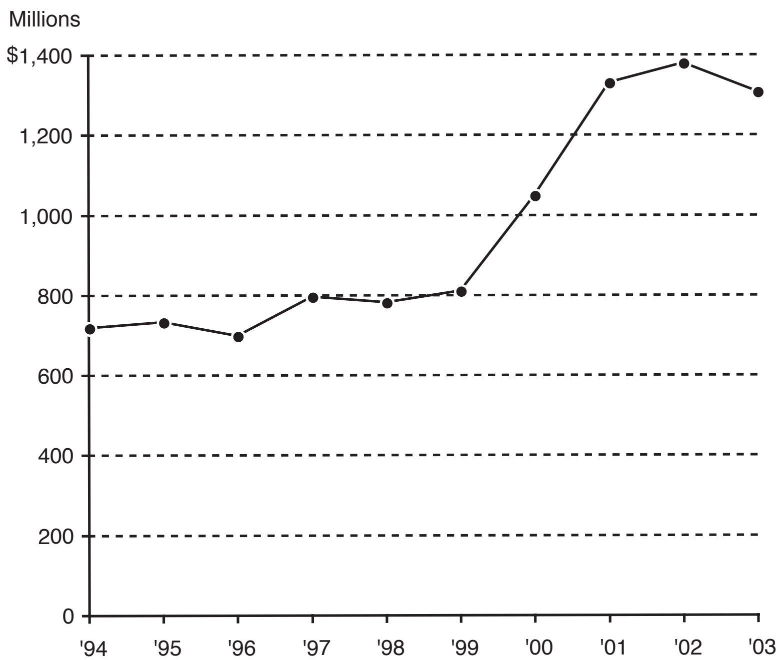
In 1999, motor vehicle fees were again significantly raised. The annual passenger car registration fee rose from $48 to $78. Another 1999 law substantially raised annual registration fees for commercial vehicles.

In 2003, P.A. 93-32 significantly raised motor vehicle license reinstatement fees. It also added several special plates. Also in 2003, P.A. 93-23 added a commercial distribution fee equal to 36% of total taxes owed for commercial vehicles.

The original driver's license fee was $1. The current fee of $10 for a 4-year license was enacted in 1983.

State revenue collected

Fiscal year	*Receipts (millions)*	*Change*	*Fiscal year*	*Receipts (millions)*	*Change*
1994	$719.5	8.4%	1999	$ 811.0	3.6%
1995	734.4	2.1	2000	1,049.2	29.4
1996	699.1	-4.8	2001	1,330.4	26.8
1997	796.4	13.9	2002	1,380.1	3.7
1998	782.9	-1.7	2003	1,307.8	-5.2



Distribution:

1. 37% of all registration fees and taxes received by the Secretary of State to the State Construction Account Fund.
2. Of new revenues from additional personalized plate fees:
   (a) 50% to Special License Plate Fund;
   (b) 50% to General Revenue Fund.
3. $16 from each original driver's instruction permit, $5 from each original driver's license, $5 from each driver's license renewal, and $4 from each restricted driving permit to the Driver's Education Fund.
4. All money from salvage certificates to the Common School Fund.

5. 27% of each annual motorcycle registration fee (or 27% of each semiannual fee) to the Cycle Rider Safety Training Fund.
6. $6 of each original commercial driver's license, renewal license, or instruction permit fee to the Commercial Driver's License Information System/American Association of Motor Vehicle Administrators Network Trust Fund.
7. $20 of the total fee for a commercial driver's license or commercial driver's instruction permit to the Motor Carrier Safety Inspection Fund.
8. To the Drunk and Drugged Driving Prevention Fund:
   (a) $30 of each $250 reinstatement fee for suspension for DUI;
   (b) $190 of each $500 reinstatement fee for revoked licenses.
9. To the General Revenue Fund:
   (a) $190 of each $250 reinstatement fee for summary suspension for DUI;
   (b) $440 of each $500 reinstatement fee for a first revocation;
   (c) $310 of each $500 reinstatement fee for a later revocation;
   (d) $40 of each $70 reinstatement fee for other suspensions.
10. $30 of each $70 reinstatement fee for other suspensions under the Family Financial Responsibility Law to the Family Financial Responsibility Fund.
11. From each certificate of title, and each duplicate and corrected certificate:
    (a) $48 to the Road Fund;
    (b) $4 to the Motor Vehicle License plate Fund;
    (c) $2 to the Park and Conservation Fund.
12. Bronze Star, Korean War Veteran, and Universal Charitable Organization license plate to the Secretary of State Special License Plate Fund.
13. Collegiate license plate: $25 from initial plate and $25 from annual renewal to State College and University Trust Fund or University Grant Fund.
14. Environmental license plate: $25 from initial plate and $25 from annual renewal to State Parks Fund.
15. Illinois Fire Fighters plate: $12 from initial plate and $15 from annual renewal to Illinois Fire Fighters Memorial Fund.
16. Violence Prevention plate: $25 from initial plate and $25 from annual renewal to Violence Prevention Fund.
17. Sportsmen Series plate: $25 from initial plate and $25 from annual renewal plate to Illinois Habitat Fund.
18. Wildlife Prairie Park plate: $25 from initial plate and $25 from annual renewal to Wildlife Prairie Park Fund.

19. Professional Sports Teams: $25 from initial plate and $25 from annual renewal to the Professional Sports Teams Education Fund.

(For all special plates listed in items 13 through 19 above, $15 from initial plate and $2 from annual renewal go to the Secretary of State Special License Plate Fund.)

20. $17 from the $30 fee for a certificate of title for an off-highway, all-terrain vehicle or off-highway motorcycle to the Off-Highway Vehicle Trails fund.
21. All money from the commercial distribution fee to the General Revenue Fund.
22. All other money from certificates of title and filing of security interests to the General Revenue Fund.
23. All other money received by the Secretary of State from driver's license and motor vehicle registration fees to the Road Fund.

Other vehicle taxes

Federal: A federal tax applies only to trucks (including trailers) weighing over 55,000 lbs., at the following rates:

Taxable gross weight	*Tax rate*
55,000 to 75,000 lbs.	$100 plus $22 per 1,000 lbs. over 55,000
Over 75,000 lbs.	$550

Local: State law allows any municipality to tax motor vehicles owned by its residents at rates set by its governing body (65 ILCS 5/8-11-4). Home-rule units can tax motor vehicles that are registered in their jurisdictions, and some do.

Other states' taxes

Drivers' license fees range from $4 in Montana to $50 in New Hampshire (for 4 years in each case). Annual car registration fees range from $8 in Arizona to $52 in Vermont. Louisiana's registration fee is 0.1% of the vehicle's value every 2 years, with a minimum fee of $20. Texas's fee for vehicles up to 3 years old is $58.50. In Maryland, car owners pay a $30 one-time registration fee plus an excise tax; in Mississippi the fee is $15 plus an ad valorem (property) tax. Graduated fees for commercial vehicles vary considerably by state.

Estate and Generation-Skipping Transfer Tax (Death Taxes)

The Illinois estate tax is imposed on a decedent's estate before distribution to the heirs. Until 2003, the amount of Illinois estate tax was equal to the "state tax credit" allowed by the Internal Revenue Code against each estate's federal estate tax liability (if any); if there was no federal estate tax liability, there was no Illinois estate tax liability. But in 2001 Congress amended the Internal Revenue Code to phase out that credit over the next four years, which would effectively have eliminated Illinois' estate tax by 2005. In response, the General Assembly in 2003 'decoupled' the Illinois estate tax from the Internal Revenue Code, restoring it to its levels before the 2001 change. But the General Assembly did follow Congress' 2001 changes in one respect: allowing the maximum estate that can pass free of Illinois estate tax (formerly \$1 million) to rise to \$1.5 million in 2004 and \$2 million in 2006.

The Illinois generation-skipping transfer tax applies to bequests in which the transferor is at least two generations removed from the transferee (typically to the donor's grandchildren). It is not often levied, because the federal and state generation-skipping taxes do not apply to the first \$1.5 million of such transfers (rising to \$2 million in 2006). Administered by Attorney General and county treasurers. (35 ILCS 405/1 ff.; 26 U.S. Code secs. 2001, 2011, 2602, 2604, and 2631)

The federal estate tax law exempts all property given directly to a decedent's surviving spouse—including the decedent's share of property that both spouses owned jointly. Only the part of an estate that passes to persons other than the surviving spouse is taxed. For all estate assets going to such other persons due to a death in 2004 or 2005, the first \$1.5 million is free of federal estate tax (and of Illinois estate tax). For amounts beyond \$1.5 million, federal estate tax rates are 45% on the first \$500,000 and 48% (dropping to 47% in 2005, 46% in 2006, and 45% in 2007) on any excess over \$2 million.

Effective Illinois estate tax rates (now based on the federal credit as it was in 2001) are:

If amount given is *Over*	*But not over*	*Illinois tax is**	*plus*	*of amount over*
$ 1,500,000	$ 1,668,254	$ 0	45.0%	$ 1,500,000
1,668,254	2,100,000	75,714	7.2	1,668,254
2,100,000	2,600,000	106,800	8.0	2,100,000
2,600,000	3,100,000	146,800	8.8	2,600,000
3,100,000	3,600,000	190,800	9.6	3,100,000
3,600,000	4,100,000	238,800	10.4	3,600,000
4,100,000	5,100,000	290,800	11.2	4,100,000
5,100,000	6,100,000	402,800	12.0	5,100,000
6,100,000	7,100,000	522,800	12.8	6,100,000
7,100,000	8,100,000	650,800	13.6	7,100,000
8,100,000	9,100,000	786,800	14.4	8,100,000
9,100,000	10,100,000	930,800	15.2	9,100,000
10,100,000	-	1,082,800	16.0	10,100,000

* This table reflects a federal $60,000 reduction in the value of the taxable estate for purposes of the credit for state death taxes. Also, the amount of the Illinois tax on a taxable estate between $1,500,000 and $1,668,254 is equal to the federal tax; all tax incurred within that range goes to the state rather than to the federal government.

Example: If a person dying in 2004 leaves a taxable estate (beyond any amount going to a surviving spouse) of $2 million, only $500,000 of it will be taxed, because the Internal Revenue Code allows a credit that in 2004 and 2005 protects the first $1.5 million from federal estate tax. Under section 2001 of the Code, that $500,000 will be taxed at 45%; so (if no other credit or tax applies) the estate's initial federal estate tax liability will be $225,000. But the Code in 2004 allows credits of 1.6% on the amount from $1.5 million to $1.6 million, and 1.8% on the remaining $400,000. These credits will reduce the amount of federal tax owed by $8,800, to $216,200.

However, Illinois will impose a tax of $99,600 on that estate (calculated from the table above). That is because the General Assembly in 2003 decoupled the Illinois estate tax from the federal credit for state death taxes. Thus the total federal and state taxes on this estate will be $216,200 + $99,600, or $315,800.

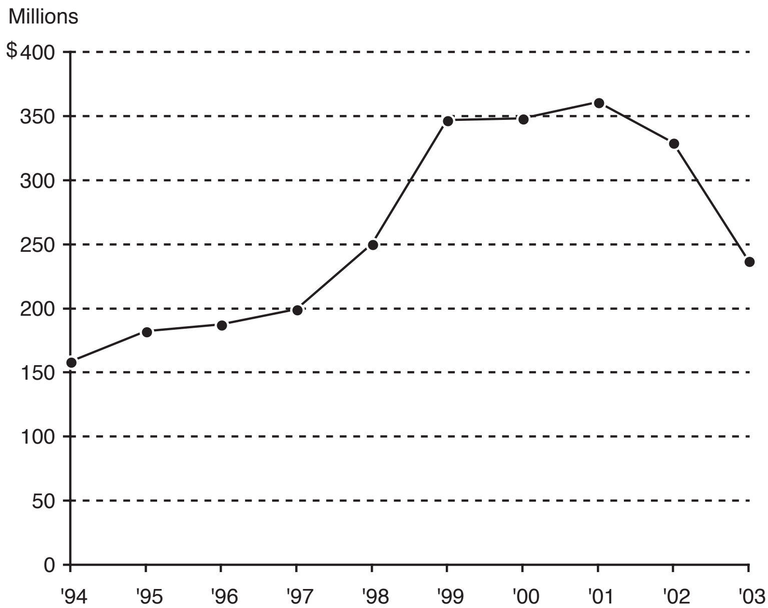
In 2005 the federal credit for state death taxes will be replaced by a deduction. This will not affect the rates of Illinois estate tax, which are frozen at the 2001 levels.

History: From 1949 until 1983, Illinois imposed two "death taxes"—an inheritance tax and an estate tax. The inheritance tax was abolished as to persons dying after 1983.

Illinois imposed an estate tax based on the federal estate tax starting in 1949. It was originally set at 80% of the federal estate tax, minus state inheritance tax due. A 1955 amendatory law set the amount of the estate tax at the maximum tax credit against estate taxes allowed by the federal government for state death taxes (minus any inheritance tax due to the state, which since 1983 has been zero). Congress enacted a four-year phaseout of the federal credit for state death taxes starting in 2002, reducing Illinois collections in calendar years 2002 and 2003. The General Assembly in 2003 made the rates of Illinois estate tax revert to what they had been before that phaseout.

State revenue collected

Fiscal year	*Receipts (millions)*	*Change*	*Fiscal year*	*Receipts (millions)*	*Change*
1994	$158.6	-6.3%	1999	$347.0	38.6%
1995	182.2	14.9	2000	348.0	0.3
1996	187.3	2.8	2001	361.0	3.7
1997	199.4	6.5	2002	329.2	-8.8
1998	250.4	25.6	2003	236.9	-28.0



Distribution:

1. 94% to the General Revenue Fund.
2. 6% to the Estate Tax Collection Distributive Fund for distribution to the county of residence of the decedent.

Other taxes on estates

Local: None are authorized by statute. Home-rule units probably could impose inheritance taxes; but they might be avoided by moving outside the unit imposing them before death.

Other states' taxes

Estate taxes in amounts equal to the credits allowed under the federal estate tax are imposed by 30 other states:

Alabama	Kansas	Rhode Island
Alaska	Maine	South Carolina
Arizona	Michigan	Texas
Arkansas	Minnesota	Utah
California	Missouri	Vermont
Colorado	Nevada	Virginia
Florida	New Mexico	Washington
Georgia	New York	West Virginia
Hawaii	North Dakota	Wisconsin
Idaho	Oregon	Wyoming

Four other states impose estate taxes at rates different from the credit allowed under the federal estate tax law:

Massachusetts	Ohio
Mississippi	Oklahoma

Finally, 15 states impose their own inheritance taxes in addition to estate taxes:

Connecticut	Louisiana	New Jersey
Delaware	Maryland	North Carolina
Indiana	Montana	Pennsylvania
Iowa	Nebraska	South Dakota
Kentucky	New Hampshire	Tennessee

Although the states in the last two groups may calculate their estate tax rates differently, they all have provisions designed to obtain the maximum amount allowed under the federal tax credit.

Health-Care Assessments

Assessments are collected from medical providers to help fund the state's participation in medicaid, thus qualifying it for the maximum amount of federal medicaid matching funds. The pool of federal plus state money obtained by this process goes to the providers to treat medicaid patients. The providers receiving those payments (and subject to these assessments) are hospitals, nursing homes, and facilities for the developmentally disabled. (305 ILCS 5/5A-1 ff., 5/5B-1 ff., 5/5C-1 ff., 5/15E-1 ff., and 5/15-1 ff.)

Rates and Bases

1. Hospital provider assessment: $84.19 per occupied bed-day.
2. Developmentally disabled care provider assessment: 6% of the provider's adjusted gross developmentally disabled care revenue for the prior fiscal year.
3. County hospital provider assessment (applies to Cook County Hospital): an amount equal to 71.7% of the difference between total payments made to the Cook County Hospital from federal medicaid assistance funds and $108.8 million, not to exceed the amount paid to the hospital in state medicaid funds.
4. Nursing home license fee: $1.50 per licensed nursing bed-day.

History: The original assessments became law in July 1991 and have changed considerably over the years.

1. Hospital services assessment: An amount equal to the positive difference between a hospital's anticipated annualized spending and its total medicaid base-year spending. This was replaced by a hospital provider assessment fee of 2.5% from July 8, 1992 through July 13, 1993. The 1.25% hospital provider assessment fee was not collected after April 1, 1997. The Hospital Provider Fund expired October 1, 1999.

   A 2004 law, P.A. 93-659, imposed a hospital services assessment of $84.19 per occupied bed-day for fiscal years 2004 and 2005, effective February 3, 2004. Amounts of this assessment are not yet reflected in the revenue collections shown below.
2. Long-term care assessment (nursing homes): 15% of each facility's gross receipts for services provided in the last state fiscal year. This was replaced by a long-term-care provider assessment fee from July 8, 1992 through June 30, 1993. This assessment fee was abolished July 1, 1993 and replaced by the Nursing Home License Fee.

3. Developmentally disabled assessment: 15% of a facility's gross receipts for services provided in the last state fiscal year. This was replaced by a developmentally disabled care provider assessment fee of 13% from July 8, 1992 through July 13, 1993.
4. County hospital services assessment (on Cook County Hospital): An amount equal to 60% of the difference between total payments to the Cook County Hospital for federal medicaid assistance funds and $78 million. The percentage was 63% from July 8, 1992 through July 13, 1993.

State revenue collected

	*Hospital services**		*County Hospital services*	
Fiscal year	*Receipts (millions)*	*Change*	*Receipts (millions)*	*Change*
1994	$322.2	23.4%	$209.1	20.0%
1995	318.2	-1.2	266.3	27.4
1996	203.7	-36.0	373.9	40.4
1997	161.9	-20.5	403.2	7.8
1998	4.5	-97.2	464.1	15.1
1999	0.0	-	473.6	2.0
2000	-	-	571.7	20.7
2001	-	-	606.2	6.0
2002	-	-	592.9	-2.2
2003	-	-	736.7	24.3

* No assessments were collected after April 1, 1997. The 1998 collections were from assessments made before that date.

	Long-term care (nursing homes) (expired June 30, 1993)		*Nursing home license fee (effective July 1, 1993)*	
Fiscal year	*Receipts (millions)*	*Change*	*Receipts (millions)*	*Change*
1994	-	-	$92.8	-29.9%
1995	-	-	56.6	-39.0
1996	-	-	54.8	-3.2
1997	-	-	55.5	1.3
1998	-	-	57.6	3.8
1999	-	-	58.0	0.7
2000	-	-	57.7	-0.5
2001	-	-	54.4	-5.7
2002	-	-	45.2	-16.9
2003	-	-	62.3	37.8

	Developmentally disabled		Total of All Health-Care Provider Fees	
Fiscal year	*Receipts (millions)*	*Change*	*Receipts (millions)*	*Change*
1994	$20.5	-36.9%	$644.6	7.4%
1995	15.6	-23.9	656.7	1.9
1996	15.8	1.3	648.2	-1.3
1997	16.4	3.8	637.0	-1.7
1998	17.0	3.7	543.2	-14.7
1999	17.0	0.0	548.6	1.0
2000	17.0	0.0	646.4	17.8
2001	17.4	2.4	678.0	4.9
2002	17.8	2.3	655.9	-3.3
2003	19.0	6.7	818.0	24.7

Distribution

1. Hospital services assessment fee: Hospital Provider Fund (20% of total assessments transferred to the Health and Human Services Medicaid Trust Fund).
2. Nursing home license fee: Long-Term Care Provider Fund.
3. Developmentally disabled assessment fee: Developmentally Disabled Care Provider Fund.
4. County hospital services assessment (Cook County Hospital): County Hospital Services Trust Fund.

Other taxes on medical providers

Federal: None.

Local: None.

Other states' taxes

Medicaid costs have ballooned in recent decades. Other states, like Illinois, have tried to minimize effects on their budgets by adopting a variety of assessments and fees. Some tax each provider's gross receipts; others compute each provider's assessment based on its portion of medicaid disbursements in the state; still others tax the number of licensed beds in the facility by patient day, month, or year. It is impossible to summarize this broad and constantly changing pattern accurately, but the following description is the best available in early 2004.

Hospital-care assessments are imposed by 12 states, at rates ranging from 1% of gross patient services revenue in New York to 6.25% of such revenue in Connecticut. New York uses the assessments to fund bad debt, charity care, and the capital statewide pool. South Carolina imposes a rate high enough to collect $21.5 million per year statewide; Ohio imposes an assessment of 2% of total facility costs; and Rhode Island imposes a hospital licensing fee of 4.35% of net patient revenue. Minnesota imposes an assessment of 2.0% of gross revenues and a surcharge of 1.25% net patient revenue minus Medicare revenue. New Hampshire's rate is set by the legislature every 2 years and is currently 6.0% of gross patient services. Texas imposes a rate of 1.25% of non-medicaid gross revenue; Washington's rate is 20% of medicaid receipts.

Nursing-home care assessments are levied by 9 states, ranging from $1 per bed-day in Ohio to $2,225 per bed-year in Tennessee. New York imposes a 6% tax on nursing home gross receipts, Rhode Island a 6.0% tax on services, and Maine a tax of 6.0% of net operating revenue. Alabama imposes an assessment of $999.96 per bed-year plus a supplemental privilege tax of $200.04 per bed-year, totaling $1,200.

Health-care assessments for services to the developmentally disabled are imposed by 13 states, with Kentucky and Minnesota taxing gross receipts at 2.0%; West Virginia at 5.5%; and Maine, New York, Tennessee, Vermont, and Washington at 6%. Rhode Island imposes a tax of 25% of gross patient revenue. Wisconsin imposes a fee of $435 per occupied bed-month; Louisiana charges $30 per day per occupied bed; and South Carolina charges $8.50 per patient-day.

Four states tax pharmacy services. Three of them collect fixed amounts per prescription (10¢ in Alabama and Louisiana, and 15¢ in Kentucky). Minnesota collects 1.5% of the price.

Federal law and regulations restrict what kinds of assessments states can use to match federal medicaid payments. In general, the federal government does not allow a state to guarantee that each health-care provider will get back, in higher medicaid payments, the entire amount it pays in assessments.

Hotel Operators' Tax

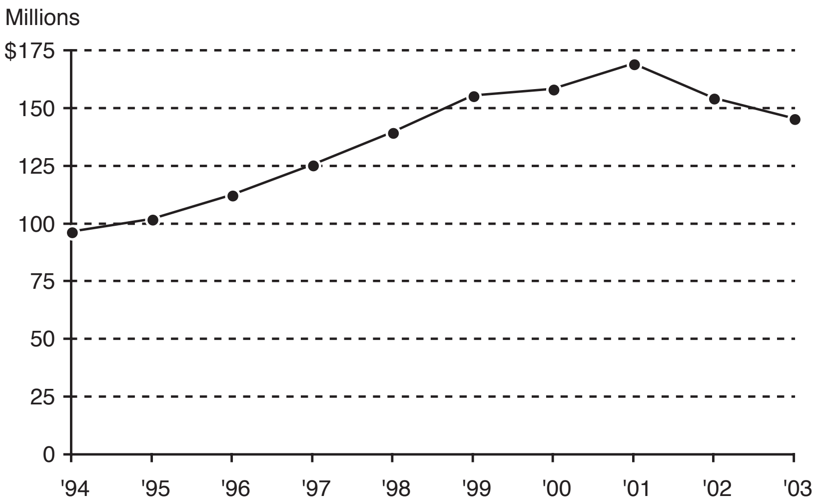
This tax is a percentage of each operator's gross receipts from operating a hotel or motel. Administered by Department of Revenue. (35 ILCS 145/1 ff.)

Rate and base: The tax is sum of two rates: (a) 5% of 94% of gross rental receipts from transient guests, plus (b) 1% of 94% of gross rental receipts from such guests. (The additional 1% is earmarked for the Build Illinois Fund.) Receipts from permanent residents of a lodging place are exempt.

History: The hotel operators' occupation tax was enacted in 1961 at the rate of 3% of 97% of gross receipts from transient guests. From 1969 to 1984 the rate was 5% of 95% of gross receipts. The current rates were enacted in 1984 to help pay for a planned 1992 World's Fair. When that fair was canceled, the revenue was earmarked for the Build Illinois program.

State revenue collected

Fiscal year	*Receipts (millions)*	*Change*	*Fiscal year*	*Receipts (millions)*	*Change*
1994	$ 96.4	4.0%	1999	$155.5	11.5%
1995	102.0	5.8	2000	158.3	1.8
1996	112.4	10.2	2001	169.2	6.9
1997	125.5	11.7	2002	154.5	-8.7
1998	139.5	11.2	2003	145.6	-5.8



Distribution:
1. 5% tax: (a) 40% to Build Illinois Fund, (b) 60% to General Revenue Fund. Of that, (i) $13 million per fiscal year is transferred to the Illinois Sports Facilities Fund, (ii) 8% is deposited into the Local Tourism Fund, (iii) 4.5% is deposited into the International Tourism Fund, and (iv) 21% of net revenue from the tax is transferred from the General Revenue Fund to the Tourism Promotion Fund for use by the Department of Commerce and Economic Opportunity. (20 ILCS 665/4a)
2. Additional 1% tax: To Build Illinois Fund.

Other taxes on hotels
Federal: None.

Local: State law permits Chicago to levy a tax up to 1% of gross rental receipts of hotel operators. The Illinois Department of Revenue collects the tax for Chicago (65 ILCS 5/8-3-13).

Other municipalities can impose taxes up to 5% of gross rental receipts of hotel operators. The money must be spent to promote tourism (65 ILCS 5/8-3-14). At least 48 cities collect such taxes, at rates ranging from 1% to 5%. A county may impose a tax up to 5% of the gross rental receipts of hotels outside any municipality that imposes such a tax. The money must be spent to promote tourism (55 ILCS 5/5-1030). These taxes are administered and collected by those municipalities and counties. Home-rule units are not bound by these limits (North Chicago collects 6%). A Chicago hotel accommodations tax of 3% of the gross rental or base charge is collected by the city.

The Illinois Sports Facilities Authority imposes a tax of 2% of 98% of gross rental receipts of hotel operators in Chicago to construct the new White Sox baseball park. The tax is collected by the Illinois Department of Revenue and paid to the Authority.

The Metropolitan Pier and Exposition Authority imposes a tax of 2.5% of gross receipts of hotel operators in Chicago to finance construction of the McCormick Place expansion project (70 ILCS 210/13(c)). The tax is collected by the Illinois Department of Revenue for the Authority.

The total effective tax rate in Chicago is just over 14%:

State tax (6% of 94%)	5.64%
Chicago Municipal Tax (1% of 99%)	0.99
City tax	3.00
Illinois Sports Facilities Authority (2% of 98%)	1.96
Metropolitan Pier and Exposition Authority	2.50
Total	14.09%

Other states' taxes

Ten states impose taxes on hotel operators. Many other states impose general sales taxes on hotel receipts.

Other states' taxes on hotel operators:

State	*Percentage*
Vermont	9.0 %
Delaware	8.0
New Hampshire	8.0
Hawaii	7.25
Texas	6.0
Massachusetts	5.0
Arkansas	2.0
Idaho	2.0
Nebraska	1.0
Oklahoma	0.1

Income Tax (Corporate)

This tax is imposed on the taxable income of corporations, associations, joint-stock companies, and cooperatives. (See also "Personal Property Tax Replacement Taxes" on page 63.) Most states use apportionment formulas to tax the income of firms doing business in more than one state (as Illinois once did). But sales in Illinois are now the only determinant of how much of a multistate firm's income Illinois taxes. Administered by Department of Revenue. (35 ILCS 5/101 ff.)

Rate and base: 4.8% on the tax base, which is the corporation's federal taxable income with several modifications.

The amount of tax otherwise due is reduced by credits of:

1. $500 per eligible employee hired to work full-time in an enterprise zone.
2. 0.5% of the amount invested in qualified property located in an enterprise zone (may be carried forward for 5 years).
3. 0.5% of the amount invested in a qualified property by a high-impact business.
4. 20% of an amount contributed to the Illinois Center for Research on Sulfur in Coal (until 2005).
5. 5% of the amount spent for equipment bought to maintain or increase use of Illinois coal in any of the taxpayer's Illinois facilities (until 2005).
6. 20% of direct payroll expenditures to maintain cooperative Tech-Prep vocational programs for students in high school, including services rendered by a Tech-Prep student or instructor that would otherwise be subject to withholding and are not claimed by another taxpayer.
7. 5% of expenditures to operate on-site day-care facilities.
8. 100% of eligible unreimbursed environmental cleanup costs over $100,000, limited to $150,000 per site (commonly called "brownfield" sites) for tax years 1998 through 2006. A maximum of $40,000 of credit can be taken each year; unused credits can be carried forward for 5 years.
9. Amount of credit negotiated between the taxpayer and the Department of Commerce and Economic Opportunity based on the economic growth potential of a business project that provides capital improvements and new jobs, under the Economic Development for a Growing Economy (EDGE) Tax Credit Act. Credit for a project authorized under the

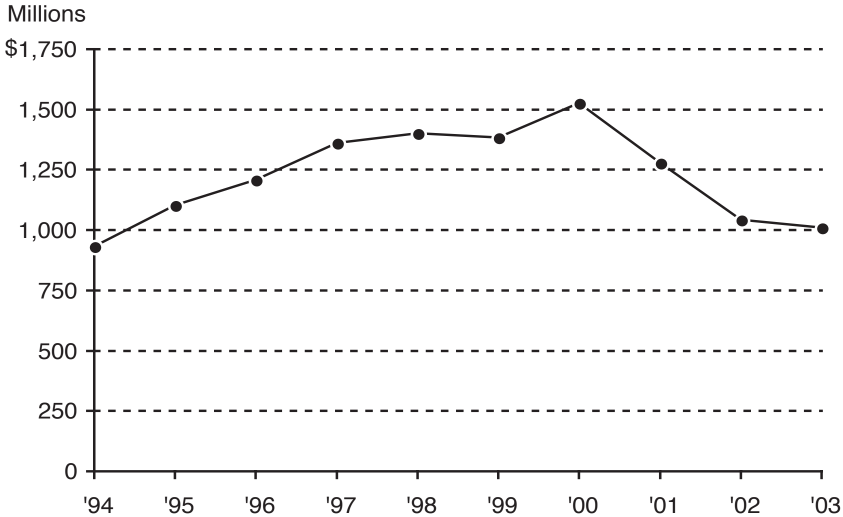
Corporate Headquarters Relocation Act cannot be used more than 15 years.

10. Amounts equal to: (a) 30% of startup costs to establish a child-care facility for a corporation's employees (during tax years 2000 through 2004); and (b) 5% of the annual costs to provide a child-care facility for the corporation's employees. This credit cannot be claimed if the corporation claims a credit for costs of operating an on-site day-care facility under 35 ILCS 5/210 (item 10. on the previous page).
11. 50% of amounts donated to an affordable housing project authorized under the Illinois Housing Development Act (20 ILCS 3805/7.28). The credit ends on December 31, 2006.
12. 25% of an employer's Illinois labor expenditures for film or television production under the Film Production Services Tax Credit Act (35 ILCS 15/1 ff., enacted by P.A. 93-543).
13. $50 to a qualified employer that is charged the 36% Commercial Distribution Fee (625 ILCS 5/3-815.1), for each driver who resides in Illinois, drives in at least two states, and works for the employer at least 30 hours per week for at least 180 days of the year. This "Transportation Employee Credit' was created by P.A. 93-23 (2003).

History: The corporate income tax was enacted in 1969 at a rate of 4%. The rate rose temporarily to 4.8% from January 1, 1983 to June 30, 1984; reverted to 4% on July 1, 1984; and rose again to 4.8% on July 1, 1989. It was scheduled to revert to 4.4% later; but on July 1, 1993 the 4.8% rate became permanent. Under the Illinois Constitution, the corporate income tax rate cannot exceed the individual rate by a ratio of more than 8 to 5. A phase-in of sales in Illinois as the only determinant for allocating income among states began in 1998 and was completed at the end of 2000. In 2003 Illinois decoupled from the federal "bonus depreciation" (30% of the cost of some capital assets bought between September 10, 2001 and September 11, 2004). Illinois taxpayers must add back the 30% federal bonus depreciation to their Illinois returns, but can deduct the bonus depreciation amount over the following years.

State revenue collected

Fiscal year	*Receipts (millions)*	*Change*	*Fiscal year*	*Receipts (millions)*	*Change*
1994	$ 931.5	9.4%	1999	$1,384.7	-1.2%
1995	1,103.2	18.4	2000	1,527.4	10.3
1996	1,208.4	9.5	2001	1,279.1	-16.3
1997	1,361.4	12.7	2002	1,042.7	-18.5
1998	1,402.0	3.0	2003	1,011.6	-3.0



Distribution:

1. 27% of gross receipts were to be deposited in the Income Tax Refund Fund in FY 2003. The Department of Revenue adjusts this percentage annually under a statutory formula. The percentage for FY 2004 has been set at 32%. Any surplus in the Refund Fund at the close of a fiscal year goes to the General Revenue Fund.
2. Of the remainder:
   (a) 10% goes to the Local Government Distributive Fund.
   (b) 7.3% goes to the Education Assistance Fund.
   (c) The remainder (82.7%) goes to the General Revenue Fund.

Other taxes on corporate income

Federal: The federal corporate income tax is imposed using a graduated schedule. There are eight brackets, with rates of 15% on taxable income up to $50,000; 25% on taxable income from there to $75,000; 34% from there to $100,000; 39% from there to $335,000; 34% from there to $10,000,000;

35% from there to $15,000,000; 38% from there to $18,333,333; and 35% on taxable income over $18,333,333.

Local: No local tax is authorized by statute. The Illinois Constitution prohibits even home-rule units from imposing income taxes without statutory authorization.

Other states' taxes

Twenty-nine other states have corporate income taxes at flat rates, ranging from 1.9% in Michigan to 9.99% in Pennsylvania. Thirteen states have corporate income taxes at graduated rates. Nevada, South Dakota, Texas, Washington, and Wyoming do not tax corporate income. Massachusetts imposes a corporate income tax at the rate of $2.60 per $1,000 in value of taxable tangible property plus 9.5% of income, or $456—whichever is greater. New York's rate is 7.5% of federal net income, 2.5% of entire net income, or $.00178 per $1 of allocated capital—whichever is greatest.

Illinois' corporate income tax rate is sometimes listed as 7.3%. That rate includes the 2.5% Personal Property Tax Replacement Income Tax that is collected for local governments, described on page 63.

Income Tax (Individual)

This tax is imposed on the taxable income of individuals, trusts, and estates. The personal exemption for each taxpayer, spouse, and dependent is $2,000. There is also an exemption of $1,000 for any taxpayer or spouse who is at least 65 or blind, or $2,000 if at least 65 and blind. Administered by Department of Revenue. (35 5/101 ff.)

Rate and base: 3% of the taxpayer's base income, defined as federal adjusted gross income with the modifications below.

The following items are **added** to adjusted gross income:

1. Any interest, dividends, and capital gains that were excluded from federal adjusted gross income.
2. Distributive shares of additions from partnerships, estates, and trusts.
3. Any previously deducted property taxes if later refunded.
4. Any money withdrawn from a medical care savings account, plus interest on the account earned in the year of withdrawal. (Medical care savings accounts were first authorized in Illinois in 1994.)
5. Unreimbursed costs of site remediation that were deducted in calculating federal adjusted gross income and are claimed for an Environmental Remediation Tax Credit.
6. Distributions from tuition programs other than the College Savings Pool or the Illinois Prepaid Tuition Trust Fund.

The following items are **subtracted** from adjusted gross income:

1. Interest income from Treasury bonds and notes.
2. In the case of property acquired before August 1, 1969 (when the Illinois income tax took effect) but sold after that date, appreciation in the property before that date.
3. Benefits from employee benefit and retirement plans to the extent such plans are taxed under federal law.
4. Military and National Guard pay, and compensation to a government employee who was a prisoner of war.
5. State income tax refunds.
6. Distributive shares of subtractions from partnerships, estates, and trusts.
7. Dividends paid by corporations doing substantially all their business in an enterprise zone or foreign trade zone.

8. Recoveries from bad debts, prior taxes, and delinquency accounts.
9. Any amortizable bond premium disallowed as a federal deduction, and any expenses and interest costs incurred in earning federally tax-exempt income and disallowed as a federal deduction.
10. Any contribution made to a job training project established under the Real Property Tax Increment Allocation Redevelopment Act.
11. Other income exempted by the Illinois Constitution or federal law.
12. Social Security and railroad retirement benefits.
13. Interest from Puerto Rican bonds, some kinds of Illinois bonds, and Illinois college savings bonds.
14. Payment of life, endowment, or annuity benefits to the taxpayer as an advance indemnity for a terminal illness.
15. Any federal or state bonus paid to veterans of the 1991 war in the Persian Gulf area.
16. Until December 31, 2004, amounts spent for health insurance or long-term-care insurance by self-employed taxpayers, partners, or Subchapter S corporations and not deducted from federal taxable income.
17. Any amount included in a taxpayer's federal gross income due to converting a traditional IRA to a Roth IRA.
18. Any amount contributed to a College Savings Pool account, except amounts excluded from federal adjusted gross income.
19. Any amount received by a driver in a ridesharing arrangement using a motor vehicle.

The amount of tax otherwise due is reduced by **credits** of:

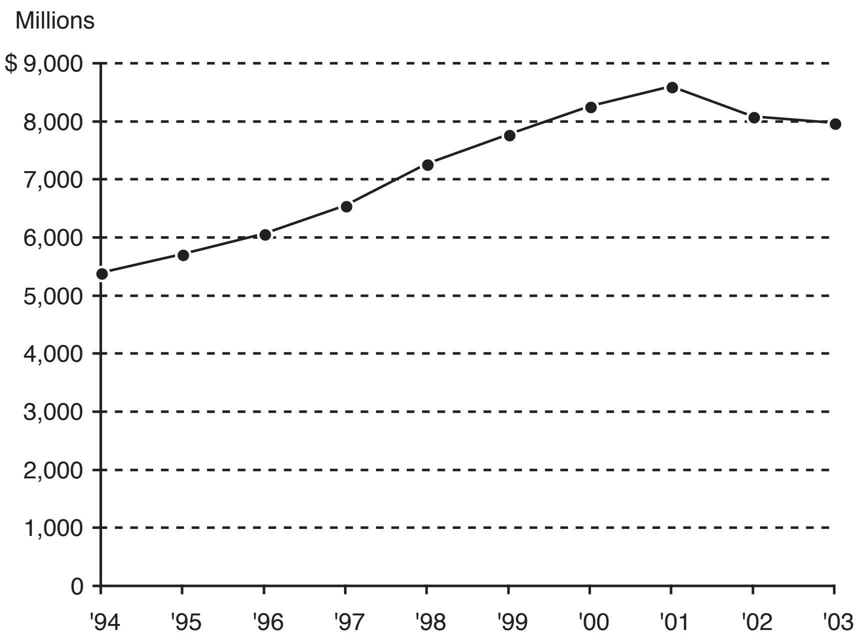
1. $500 per eligible employee hired to work full-time in an enterprise zone.
2. 0.5% of amounts invested in qualified property in an enterprise zone (may be carried forward for 5 years).
3. 0.5% of amounts invested in qualified property by a high-impact business in a federally designated foreign trade zone.
4. 5% of property taxes paid on the taxpayer's principal residence.
5. 25% of eligible unreimbursed environmental cleanup costs over $100,000 up to $150,000 per site (commonly called "brownfield" sites) for tax years 1998 through 2001. Maximum credit is $40,000 per year, but unused credits may be carried forward for 5 years.
6. 25% of qualified educational expenses (limited to tuition, book fees, and lab fees) exceeding $250 at any public or private elementary or secondary school. The maximum credit is $500.

7. 5% of the amount of the federal earned income tax credit.
8. 50% of donations to an affordable housing project authorized under the Illinois Housing Development Act (20 ILCS 3805/7.28). This credit lasts through 2006.

History: The individual income tax was enacted in 1969 at a rate of 2.5%. The rate rose temporarily to 3% from January 1, 1983 to June 30, 1984; reverted to 2.5% on July 1, 1984; and rose again to 3% on July 1, 1989. It was scheduled to revert to 2.5% later; but on July 1, 1993 the 3% rate became permanent.

State revenue collected

Fiscal year	*Receipts (millions)*	*Change*	*Fiscal year*	*Receipts (millions)*	*Change*
1994	$5,392.8	4.8%	1999	$7,778.0	7.0%
1995	5,710.0	5.9	2000	8,264.2	6.3
1996	6,069.8	6.3	2001	8,606.9	4.1
1997	6,551.5	7.9	2002	8,085.9	-6.1
1998	7,268.4	10.9	2003	7,979.3	-1.3



Distribution:

1. 8.0% of gross receipts were deposited into the Income Tax Refund Fund for FY 2003. The Department of Revenue adjusts this percentage annually under a statutory formula. This percentage is set at 11.7% for FY 2004. Any surplus in the Refund Fund at the close of the fiscal year goes to the General Revenue Fund.
2. Of the remainder:
   (a) 10% to the Local Government Distributive Fund.
   (b) 7.3% to the Education Assistance Fund.
   (c) The remainder (82.7%) to the General Revenue Fund.

Other taxes on personal income

Federal: The federal tax law has 6 brackets, with rates of 10%, 15%, 25%, 28%, 33%, and 35%.

Local: No local tax is authorized by statute. The Illinois Constitution prohibits even home-rule units from imposing income taxes without statutory authorization.

Other states' taxes

Income taxes are levied at graduated rates in 34 states, and as a percentage of federal income tax liability (thus effectively graduated) in two others. Six states besides Illinois impose individual income taxes at flat rates. Seven states impose no income tax: Alaska, Florida, Nevada, South Dakota, Texas, Washington, and Wyoming.

The other states with flat rates are:

State	Rate(s)	Base
Massachusetts	12.0%	Net capital gains; interest and dividends on accounts over $100,000
	5.3	Other income
Tennessee	6.0	Stock dividends; interest on nonfederal bonds and other obligations
New Hampshire	5.0	Interest and dividend income
Michigan	4.0	Taxable income
Indiana	3.4	Adjusted gross income
Pennsylvania	3.07	Specified classes of income

Insurance Taxes and Fees

The state imposes a number of taxes and fees on insurance companies. Foreign companies (those not incorporated in Illinois) pay a privilege tax. All companies writing fire or fire-related policies, including domestic companies, pay a fire marshal's tax. Insurance brokers writing nonstandard policies (such as coverage for amusement parks) insured by companies not licensed to do business in Illinois pay a surplus line producer's tax. Administered by Department of Insurance. (215 ILCS 5/408 to 5/416 and 5/445; 425 ILCS 25/12)

Various fees are also imposed on the activities of insurance companies. The fee bringing in the most revenue is based on the amount of life insurance that domestic companies have in force in the state.

Rate and base:
1. Privilege tax on insurers and HMOs:
   (a) 0.4% of net taxable written premiums for accident and health insurance, and
   (b) 0.5% of net taxable written premiums for all other types of insurance.
2. Fire marshal's tax: 1% of premiums on fire or fire-related insurance policies.
3. Surplus line producers' tax: 3.5% of gross insurance premiums from policies issued in Illinois.
4. Industrial Commission Operations Fund Surcharge: 1.5% of direct written premium for workers compensation liability insurance.
5. Numerous other fees on particular types of insurance activities.

History: A 2% privilege tax on foreign companies was enacted in 1853, and retained when the state's insurance laws were consolidated into the Illinois Insurance Code of 1937. That tax was held unconstitutional by the Illinois Supreme Court in Milwaukee Safeguard Insurance Company v. Selcke, 179 Ill. 2d 94 (1997). A new privilege tax on all insurance companies was enacted in 1998.

The fire marshal's tax was enacted in 1909 at a rate of 0.5% of all fire and fire-related insurance policy premiums in Illinois. The rate dropped to 0.25% in 1931, reverted to 0.5% in 1941, and rose again to 1% in 1979.

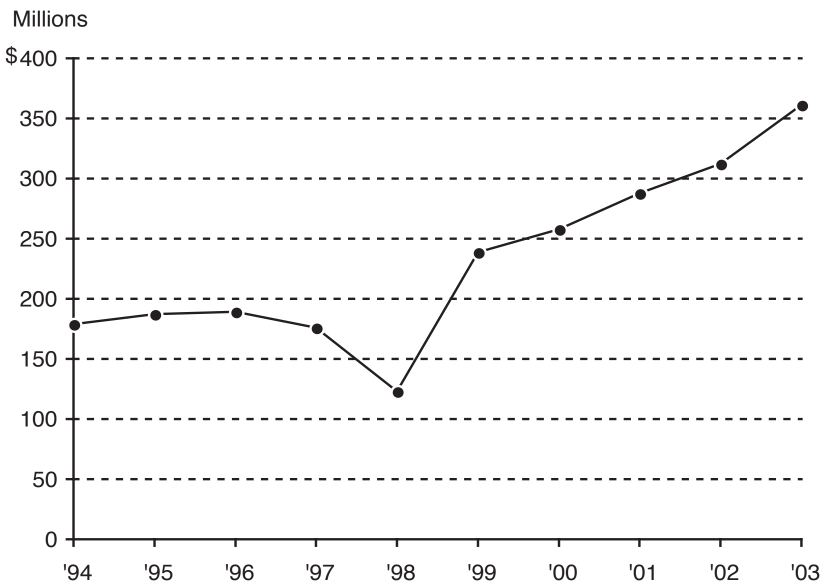
The surplus line producers' tax was enacted in 1937 at the rate of 2% of gross insurance premiums on policies in Illinois. It rose to 3% in 1963. A 2003 law, P.A. 93-29, increased this tax to 3.5%.

A life insurance policy fee on domestic companies of 3¢ per $1,000 of direct life insurance policies in force was enacted in 1979, but abolished in 1998.

The Industrial Commission Operations Fund Surcharge was enacted in 2003 at a rate of 1.5% of direct written premiums for employers' liabilities under the Workers' Compensation Act (820 ILCS 305/1 ff.) or Workers' Occupational Diseases Act (820 ILCS 310/1 ff.). The surcharge is imposed on every company licensed or authorized by the Department of Insurance.

State revenue collected

Fiscal year	*Receipts (millions)*	*Change*	*Fiscal year*	*Receipts (millions)*	*Change*
1994	$179.1	-16.5%	1999	$238.5	94.2%
1995	187.1	4.5	2000	257.6	8.0
1996	189.4	1.2	2001	287.9	11.8
1997	176.1	-7.0	2002	312.4	8.5
1998	122.8	-30.6	2003	361.5	15.7



Distribution:
1. Insurance taxes and fees to the General Revenue Fund.
2. Insurance fees imposed under 215 ILCS 5/408 to the Insurance Financial

Regulation Fund. If it exceeds $100,000 at the end of a fiscal year, the excess goes to the General Revenue Fund.

3. Fire marshal's tax to the Fire Prevention Fund.
4. Fees collected from companies writing workers' compensation and employers' liability insurance policies to the Insurance Producers' Administration Fund.
5. A percentage of privilege tax and retaliatory tax revenue to the Insurance Premium Tax Refund Fund (set annually by the Department of Insurance).

Other taxes on insurance companies

Federal: Insurance companies incorporated in other states, but operating in Illinois, pay taxes at these rates:

1. 4% of premiums on casualty insurance and indemnity bonds.
2. 1% of premiums on life insurance, sickness and accident policies, and annuity contracts.
3. 1% of premiums on reinsurance under policies listed above.

Local: Fire insurance companies headquartered outside Illinois pay a tax of 2% of their gross receipts from premiums on fire insurance policies in force in municipalities or fire protection districts. The tax is paid directly to the fire protection district or municipal treasurer (who, in cities of under 250,000, must pay it directly to the treasurer of the fire department to be used "upon the order of the fire department for the maintenance, use and benefit of the department"). (65 ILCS 5/11-10-1 and 11-10-2)

Other taxes by non-home-rule units are prohibited by statute. Home-rule taxation probably is prohibited by the Illinois Constitution, art. 7, subsec. 6(e) as a tax on occupations.

Other states' taxes

All states impose a variety of privilege taxes and fees on insurers. Eleven states have rates under 2%; 33 have rates between 2% and 3%; and three have rates over 3%. Louisiana imposes a $140 minimum tax if a company's total annual premiums are $7,000 or less, and $225 per $10,000 over $7,000. Oregon has phased out its insurance taxes because insurance companies were included in its corporate excise tax.

Insurance tax rates are complicated by "retaliatory" taxes that nearly every state has enacted. These impose higher rates on insurers from any state that taxes out-of-state insurers at a higher rate than its own insurers.

Liquor Taxes and Fees

A tax is imposed on the privilege of making or distributing alcoholic beverages in Illinois, based on the number of gallons. In addition, the Illinois Liquor Control Commission imposes a variety of annual fees on manufacturers, distributors, and retail sellers. Administered by Department of Revenue. (235 ILCS 5/8-1 ff.)

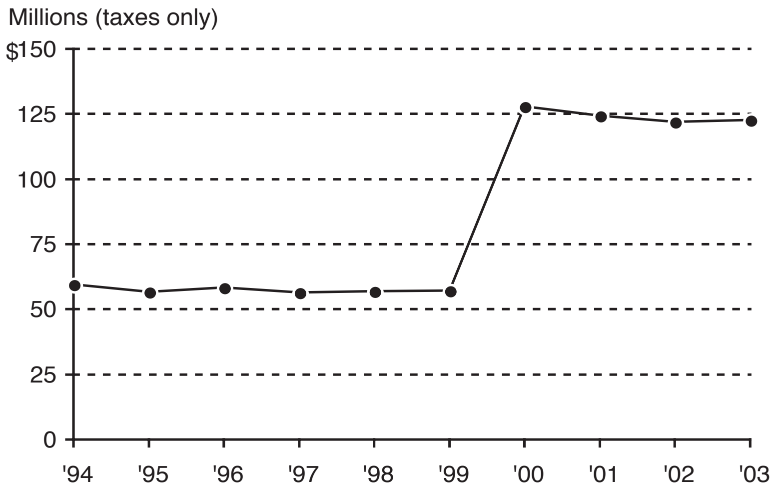
Rate and base (per gallon): 18.5¢ on beer and cider with 0.5% to 7% alcohol; 73¢ on wine (excluding cider with up to 7% alcohol); $4.50 on distilled liquor. Annual Liquor Control Commission fees are $500 for retail sellers, and range from $25 to $3,600 on some manufacturers.

History: The present liquor tax was enacted in 1934. Rates since then are shown below.

	Rate per gallon			
Year	*Beer and cider*	*Wine up to 14%*	*Wine over 14%*	*Distilled liquor*
1934	2 ¢	10¢	25¢	$0.50
1941	4	15	40	1.00
1959	6	23	60	1.52
1969	7	23	60	2.00
1999	18.5	73	73	4.50

State revenue collected

	Taxes		*License fees*	
Fiscal year	*Receipts (millions)*	*Change*	*Receipts (millions)*	*Change*
1994	$59.5	0.0%	$4.1	32.3%
1995	56.8	-4.5	4.1	0.0
1996	58.3	2.6	4.0	-2.4
1997	56.6	-2.9	4.4	10.0
1998	57.0	0.7	4.2	-4.5
1999	57.2	0.4	4.1	-2.4
2000	127.9	123.6	4.2	2.4
2001	124.3	2.8	4.0	-4.7
2002	122.0	1.9	4.1	2.5
2003	122.8	0.7	4.1	0.0



Collections by Type of Beverage

When reporting liquor tax revenue to the Comptroller, the Department of Revenue shows only total revenue, not classified by type of beverage. But the Department of Revenue's data on collections show trends in collections for each beverage class.

Fiscal year	*Beer (millions)*	*Change*	*Liquor 20% or more (millions)*	*Change*
1994	$19.4	-1.0%	$33.0	-0.1%
1995	19.2	-1.0	31.1	-5.8
1996	19.4	1.0	31.9	2.6
1997	18.9	-2.6	31.3	-1.9
1998	19.2	1.6	30.7	-1.9
1999	19.4	1.0	30.8	0.3
2000	48.1	147.9	63.2	105.2
2001	52.1	8.3	69.9	10.6
2002	52.6	1.0	70.4	0.7
2003	*	*	*	*

* Data for all of FY 2003 were not available at publication time.

Fiscal year	Wine or liquor up to 14% (millions)	Change	Wine or liquor over 14% but less than 20% (millions)	Change
1994	$4.9	0.0%	$1.9	-9.5%
1995	5.0	2.0	1.7	-10.5
1996	5.1	2.0	1.7	0.0
1997	5.3	3.9	1.6	-5.9
1998	5.4	1.9	1.6	0.0
1999	5.1	-5.6	1.5	-6.3
2000	14.7	188.2	2.1	40.0
2001	16.3	10.9	1.7	-19.0
2002	16.7	2.5	1.7	0.0
2003	*	*	*	*

* Data for all of FY 2003 were not available at publication time.

Distribution:
1. Liquor tax revenue to the General Revenue Fund.
2. Retailer's license fee:
   (a) $250 to the Dram Shop Fund;
   (b) $250 to the General Revenue Fund;
3. All other license fees to the Dram Shop Fund.

Other taxes on alcoholic beverages

Federal: The federal tax on distilled liquor is based on its number of "proof gallons." A proof gallon is a gallon of liquor containing 50% alcohol (thus one-half gallon of pure alcohol). The rate rose from $10.50 per proof gallon to $12.50 on October 1, 1985, and to $13.50 on January 1, 1991. An 80-proof beverage is taxed at $10.80 per gallon of beverage; 100-proof at $13.50; and 120-proof at $16.20.

Class of beverage		*Tax per gallon*
Beer		$ .58
Wine	14% or less alcohol	1.07
	14% to 21% alcohol	1.57
	21% to 24% alcohol	3.15
	Artificially carbonated	3.30
	Sparkling	3.40
Distilled liquor (per 100-proof gallon)		13.50

Local: Municipalities and counties collect liquor fees. Home-rule units can impose taxes. Cook County collects 6¢ per gallon on beer, 16¢ per gallon on wine of up to 14% alcohol, 30¢ per gallon on wine over 14% alcohol, and $2 per gallon on distilled liquor. Chicago collects 16¢ per gallon on beer, 20¢ per gallon on alcoholic liquor up to 14% alcohol, 50¢ per gallon on alcoholic liquor over 14% but less than 20% alcohol, and $1.50 per gallon on distilled liquor or wines with over 20% alcohol.

Other states' taxes

Tax rates on alcoholic beverages vary greatly among the 32 states, including Illinois, that license sellers of alcoholic beverages (rather than selling them from state-run stores). The approximate ranges of rates are:

Beverage class	*Rates per gallon*		
Beer	$0.02 (Wyoming)	to	$ 1.07 (Alaska)
Wine up to 14%	0.11 (Louisiana)	to	2.50 (Alaska)
Wine over 14%	0.20 (California)	to	5.68 (New Mexico)
Spirits	1.50 (Maryland)	to	12.80 (Alaska)

Lottery

Illinois' state lottery was authorized in 1974. Its revenues come from ticket sales for games; agent fees; and interest-earning accounts. After paying prizes, agent commissions, and administrative costs, net receipts are deposited into the Common School Fund. Administered by Department of Revenue. (20 ILCS 1605/1 ff.)

Rate and base: The lottery law initially provided that "net lottery revenue" could never be less than 40% of total revenue from sale of lottery tickets. This made it difficult to finance the startup costs of a daily game. An exception authorizing net revenue below 40% was enacted for fiscal years 1979, 1980, and 1981 to allow operation of a daily game. The 40% requirement was repealed in 1981.

History: Total lottery revenue and net receipts to the state were substantial in fiscal years 1975 and 1976, but by fiscal year 1979 had dropped almost 62%. Variations of the 50¢ and $1.00 games were tried, but none brought in revenue at levels matching those of fiscal year 1976.

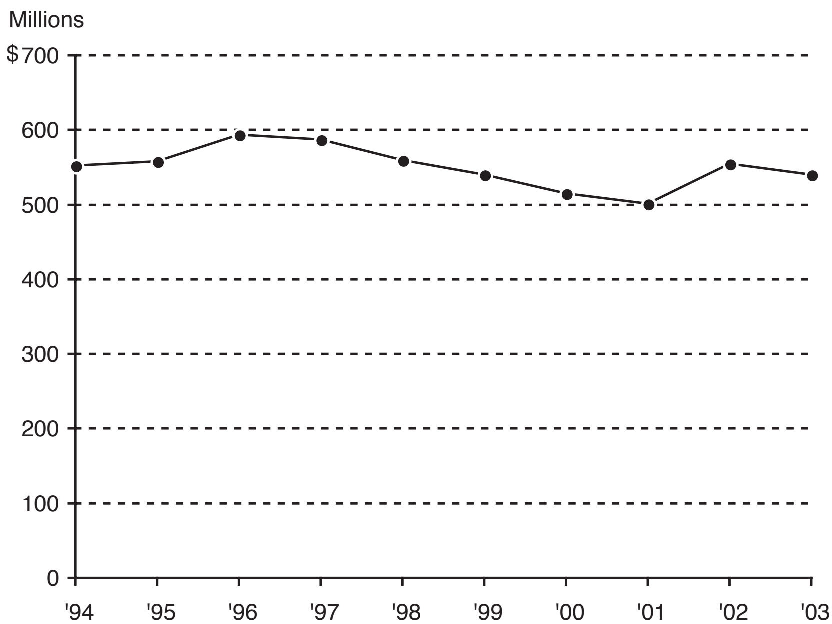
A "Daily" game was started in 1980, and a weekly "Lotto" game was added in 1983. A second weekly "Lotto" game was added in 1986, but was replaced with a "Lotto 7" game in 1987. "Lotto 7" was replaced in 1988 with a game now known as "Little Lotto." Current lottery games include two daily games with drawings twice daily, Monday through Saturday and once on Sunday; "Little Lotto" with 7 drawings per week; "Lotto" with 2 drawings per week; and some 65 instant games. "Mega Millions" (formerly "The Big Game"), a multistate lotto game also involving Georgia, Maryland, Massachusetts, Michigan, New Jersey, New York, Ohio, Texas, Virginia, and Washington, began in September 1996 with drawings on Tuesdays and Fridays.

Net revenues for state use after paying prizes, advertising, and administrative expenses did not exceed $100 million until fiscal year 1982, when they reached $137.6 million. Net revenue reached about $500 million in fiscal year 1985, and has stayed between $500 and $610 million per year since then. It declined in recent years to a low of $501 million in fiscal year 2001, but recovered to $555 million in fiscal year 2002.

A 1985 law requires that all net lottery revenue (after the expenses listed above) be deposited into the Common School Fund.

State revenue collected

Fiscal year	*Gross revenue (millions)*	*Transfers to General Revenue or Common School Fund (millions)*	*Change*	*Transfers as % of gross revenue*
1994	$1,494.2	$552.0	-6.0%	36.9%
1995	1,629.5	558.3	1.1	34.3
1996	1,637.4	594.1	6.4	36.3
1997	1,622.7	587.1	-1.2	36.2
1998	1,570.0	560.0	-4.6	35.7
1999	1,526.0	540.0	-3.6	35.4
2000	1,503.9	515.2	-4.6	34.3
2001	1,449.8	501.0	-3.6	34.6
2002	1,590.0	555.1	10.8	34.9
2003	1,585.8	540.3	-2.7	34.1



Disposition: Net revenue (about 36% of gross) to the Common School Fund. (About 54% of gross revenue goes for prizes, 6% for agents' commissions, and 4% for other operating expenses.)

Other revenue from lotteries

Federal: Lotteries authorized by state laws are exempt from federal gambling taxes.

Local: Lotteries are illegal except as authorized by Illinois law. All municipalities and counties are authorized to license raffles, charging license fees to be set by the local governing body (230 ILCS 15/1 ff.).

Other states' lotteries

Thirty-eight other states operate lotteries. Those with net receipts over $200 million are listed below.

	Net receipts (millions)		
State	*FY 2002*	*FY 2003*	*Change*
New York	$1,580.0	$1,780.0	12.7%
California	1,066.0	1,020.0	-4.3
Texas	890.0	913.4	2.6
Georgia	726.2	751.6	3.5
New Jersey	758.0	732.8	-3.3
Ohio	635.2	641.4	1.0
Michigan	600.9	573.9	-4.5
Illinois	555.1	540.3	-2.7
West Virginia	317.4	480.6	51.4
Maryland	442.5	444.3	0.4
Oregon	350.9	387.1	10.3
Virginia	367.7	375.2	2.0
Connecticut	271.5	256.8	-5.4
Rhode Island	213.8	236.6	10.7
South Carolina	87.3	220.6	152.7
Delaware	230.0	213.0	-7.4
Florida	926.5	*	*
Massachusetts	896.8	*	*
Pennsylvania	749.0	*	*

* Information is not yet available for these states.

Motor Fuel Tax

This tax is imposed on the privilege of operating motor vehicles on public highways or waterways in Illinois. It is paid by distributors and suppliers, who include it in the pump price. Aircraft fuels are exempt. Administered by Department of Revenue. (35 ILCS 505/1 ff.) The Department also collects a tax of 0.3¢ per gallon, and an environmental impact fee of 0.8¢ per gallon, to fund underground storage tank cleanup (35 ILCS 505/2a and 415 ILCS 125/301 ff.). Finally, Illinois' sales tax applies to motor fuel; see "Sales and Use Taxes" beginning on page 90.

Rates and base:

1. Gasoline: 19¢ per gallon.
2. Special fuel (including diesel fuel): 21.5¢ per gallon.
3. Additional levies on gasoline, special fuel, aviation fuel (unless sold at O'Hare or Midway Airports), kerosene, and home heating oil, for the Underground Storage Tank Fund:
   (a) 0.3¢ per gallon tax (until 2013);
   (b) 0.8¢ per gallon environmental impact fee (until 2013).

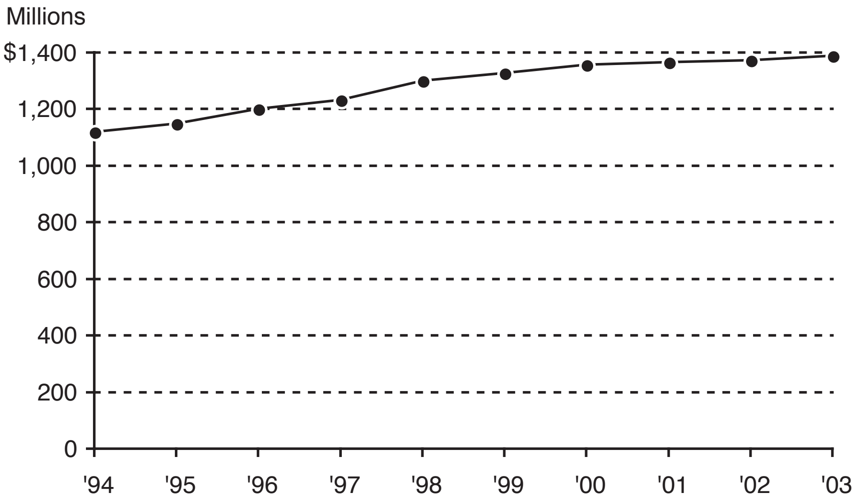
History: A motor fuel tax was enacted in 1927 at a rate of 2¢ per gallon. Rates since then are shown below.

	Tax per gallon			*Tax per gallon*	
Year	*Gasoline*	*Diesel fuel*	*Year*	*Gasoline*	*Diesel fuel*
1927	2.0¢	2.0¢	1983	11.0¢	13.5¢
1929	3.0	3.0	1984	12.0	14.5
1951	4.0	4.0	1985	13.0	15.5
1953	5.0	5.0	1989	16.0	18.5
1967	6.0	6.0	1990	19.3	21.8
1969	7.5	7.5	1996	20.1	22.6

A leaking underground storage tanks tax of 0.3¢ per gallon was added in 1990, and the 0.8¢ environmental impact fee in 1996.

State revenue collected

Fiscal year	*Receipts (millions)*	*Change*	*Fiscal year*	*Receipts (millions)*	*Change*
1994	$1,118.5	2.8%	1999	$1,328.7	2.2%
1995	1,148.5	2.7	2000	1,356.3	2.1
1996	1,201.9	4.6	2001	1,366.6	0.8
1997	1,232.3	2.5	2002	1,373.5	0.5
1998	1,300.7	5.6	2003	1,388.3	1.1



Distribution: All motor fuel tax revenue goes o the Motor Fuel Tax Fund. Distributions from the Fund are as follows:

1. 2.5¢ per gallon from special-fuel tax collections to the State Construction Account Fund.
2. $5,040,000 per year to the State Boating Act Fund.
3. $27 million per year to the Grade Crossing Protection Fund.
4. $30 million per year (through 2006) to the Vehicle Inspection Fund to administer the Vehicle Emissions Inspection Law of 1995.
5. Sufficient amounts to:
   (a) the Department of Revenue for administrative expenses and refunds; and
   (b) the Department of Transportation to:
   - administer motor fuel tax distribution to local governments;
   - pay motor fuel tax refunds to other states under reciprocal agreements; and
   - pay Illinois Court of Claims judgments.

6. Of the remainder:
   (a) 45.6% is apportioned as follows:
      - 37% to the State Construction Account Fund;
      - 63% to the State Road Fund ($15 million is reserved for bridge construction in townships and road districts); and
   (b) 54.4% is apportioned as follows:
      - 49.10% to municipalities, distributed by population;
      - 16.74% to Cook County;
      - 18.27% to the other 101 counties based on motor vehicle license fees collected in each county; and
      - 15.89% to townships and road districts, distributed among counties in proportion to township and road district mileage, and redistributed within each county in proportion to road mileage in each township or road district.

All revenue from the tax of 0.3¢ per gallon and the fee of 0.8¢ per gallon for underground storage tank cleanup goes to the Underground Storage Tank Fund.

Other taxes on motor fuels

Federal: 18.4¢ per gallon (gasoline) and 24.4¢ per gallon (diesel fuel).

Local: Home-rule units can tax on motor fuels. Cook County collects 6¢ per gallon, and Chicago 5¢. DuPage, Kane, and McHenry Counties can impose taxes up to 4¢ per gallon without referendum (55 ILCS 5/5-1035.1). DuPage and McHenry Counties collect 4¢, and Kane collects 2¢. Any city of over 100,000 can also impose a tax of 1¢ per gallon by referendum (65 ILCS 5/8-11-15). Rockford imposes a tax under that provision. In addition, 18 home-rule cities impose taxes. Local taxes are summarized in the following table. (Amounts in the "Total" column include the 19¢ state tax.)

	County	*City*	*Total*
Cook County	6.0¢	-	25.0¢
Chicago	6.0	5.0¢	30.0
Evergreen Park	6.0	3.0	28.0
Berwyn, Burbank, Cicero, Rosemont	6.0	2.0	27.0
Des Plaines, Dolton, Park Ridge	6.0	1.0	26.0
DuPage County	4.0	-	23.0
Bolingbrook	4.0	5.0	28.0
Naperville	4.0	2.0	25.0
Kane County	2.0	-	21.0

	County	City	Total
McHenry County	4.0¢	-	23.0¢
Other localities			
Pekin	-	4.0¢	23.0
Carbondale, Peoria	-	2.0	21.0
Channahon	-	1.0	20.0
Galesburg, Joliet, Rock Island	-	1.0	20.0
Moline	-	0.5	19.5

Other states' taxes

Forty-two states tax motor fuel at fixed rates per gallon, ranging from 7.5¢ in Georgia and 8¢ in Alaska and New York to 30¢ in Rhode Island and 34¢ in some parts of Hawaii. Seven other states reset rates per gallon periodically based on the retail or wholesale price of motor fuel or on other factors. Their latest available rates were:

State	*Variable rate*	*Adjusted each*	*2003 tax per gallon*
Wisconsin	29.1¢ (2004)*	year	28.5¢
Ohio	17¢†	year	26.0
Nebraska	12.1¢ + fixed rate	6 months	24.6
North Carolina	17.5¢ per gal. plus the greater of 7% or 3.5¢	year	24.3
Delaware	based on avg. wholesale price	year	23.0
Florida	4¢ per gal. plus 14.3¢	year	18.3
Kentucky	9% of avg. wholesale price	quarter	15.0

* Wisconsin's rate is indexed to changes in the nationwide Consumer Price Index for All Urban Consumers.

† Varies with highway maintenance costs and fuel consumption.

Sales Taxes on Motor Fuel

Nine other states, like Illinois, collect general sales taxes on motor fuels:

California	Michigan
Florida	New York
Georgia	Virginia*
Hawaii	West Virginia
Indiana	

* A 2% sales tax applies only in areas served by mass transit.

Personal Property Tax Replacement Taxes

The Illinois Constitution of 1970 required that all ad valorem (value-based) personal property taxes be abolished by 1979. The personal property tax was already limited to businesses, because a 1970 amendment to the former (1870) Constitution had abolished it as to individuals. In 1979 the General Assembly replaced the personal property tax on businesses with an income tax on corporations and an invested capital tax on public utilities. A 1997 law repealed the invested capital tax as to electricity distributors (except electric cooperatives) and telecommunications distributors. Electricity distributors now pay a personal property tax replacement tax based on amounts of electricity delivered in Illinois; telecommunications distributors pay a telecommunications infrastructure maintenance fee. Electric cooperatives still pay the invested capital tax. These taxes are administered by the Department of Revenue. (35 ILCS 635/1 ff. (telecommunications companies); 615/2a.1 (gas distribution companies); 620/2a.1 (electric companies); and 625/3 (water companies))

1. Personal Property Tax Replacement Income Tax

This tax is imposed on the net income of corporations, business partnerships, trusts, and "S" corporations. Administered by Department of Revenue. (35 ILCS 5/201(c))

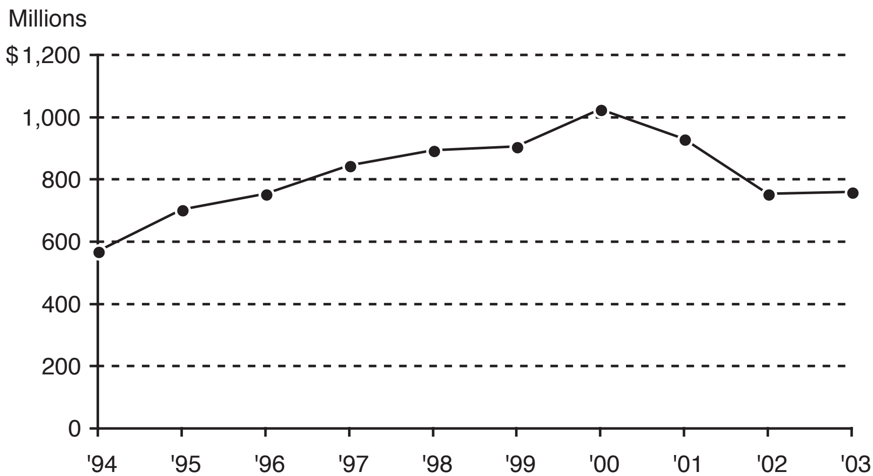
Rate and base:
1. Corporations: 2.5% of federal taxable income.
2. Partnerships, trusts, and "S" corporations: 1.5% of federal taxable income.

Since July 1, 1984 an investment tax credit of 0.5% has been allowed against "replacement" income tax liability for buying equipment used in manufacturing, mining, or retailing. An additional credit of 0.5% is allowed if the company's Illinois employment base expanded 1% over the preceding year's. The latter credit can be carried forward up to 5 years.

History: The tax took effect July 1, 1979 at 2.85%. On January 1, 1981 its rate dropped to 2.5%.

State revenue collected

Fiscal year	*Receipts (millions)*	*Change*	*Fiscal year*	*Receipts (millions)*	*Change*
1994	$569.1	9.5%	1999	$ 905.3	1.2%
1995	702.8	23.5	2000	1,025.6	13.3
1996	753.5	7.2	2001	930.4	-9.3
1997	845.7	12.2	2002	754.5	-18.9
1998	894.7	5.8	2003	759.9	0.7



Distribution: From Personal Property Tax Replacement Fund: 51.65% to local governments in Cook County based on their shares of personal property tax collections in 1976; 48.35% to local governments in the other 101 counties based on their shares of personal property tax collections in 1977.

Other taxes in lieu of personal property taxes
Federal: None.

Local: None.

Other states
No other state imposes a tax based on the invested capital of public utility companies, or an income tax specifically designated to replace a personal property tax.

2. Invested Capital Tax

This tax is imposed on the invested capital of rural electric cooperatives and businesses that sell gas or water services. The law exempts municipally owned electric and water companies, and telephone cooperatives. (35 ILCS 615/2a.1 and 625/3)

Rate and base: The rate is 0.8% of capital invested in gas plants in service during the taxable period. Invested capital is defined as the average of the totals at the beginning and the end of the taxable period of shareholders' equity and long-term debt attributable to Illinois, minus investments in and advances to all corporations, as set forth on the balance sheets in the company's annual report to the Illinois Commerce Commission for the taxable period.

History: The tax took effect July 1, 1979.

Distribution: Same as Personal Property Tax Replacement Income Tax.

3. Electricity Distribution Tax

This tax is imposed on electricity distributors except electric cooperatives. Annual revenue from the tax is limited to $145.3 million, plus the lesser of (a) 5% or (b) the percentage increase in the Consumer Price Index for All Urban Consumers, All Items (CPI-U) for the preceding year—in either case multiplied by revenue in the preceding year. If that limit is exceeded, the Department of Revenue will issue credit memoranda to reduce all taxpayers' future liability. (35 ILCS 620/2a.1)

Rate and base:

Kwh distributed per month			*Cents per kwh*
First	500	million	0.031¢
Next	1	billion	0.050
Next	2.5	billion	0.070
Next	4	billion	0.140
Next	7	billion	0.180
Next	3	billion	0.142
Over	18	billion	0.131

History: The tax took effect January 1, 1998.

Distribution: Same as Personal Property Tax Replacement Income Tax.

4. Telecommunications Infrastructure Maintenance Fee

This state tax is imposed on telecommunications services, including provision of messages or information through local, toll, and wide-area telephone services; channel, telegraph, teletypewriter, computer exchange, private line, and specialized mobile radio services; and any other transmission of messages or information by electronic or similar means, between or among points by wire, cable, fiber optics, laser, microwave, radio, satellite, or similar methods. (35 ILCS 635/10, 635/15, and 635/25b)

Rate and base: The fee is 0.5% of the retailer's gross charges for telecommunications services.

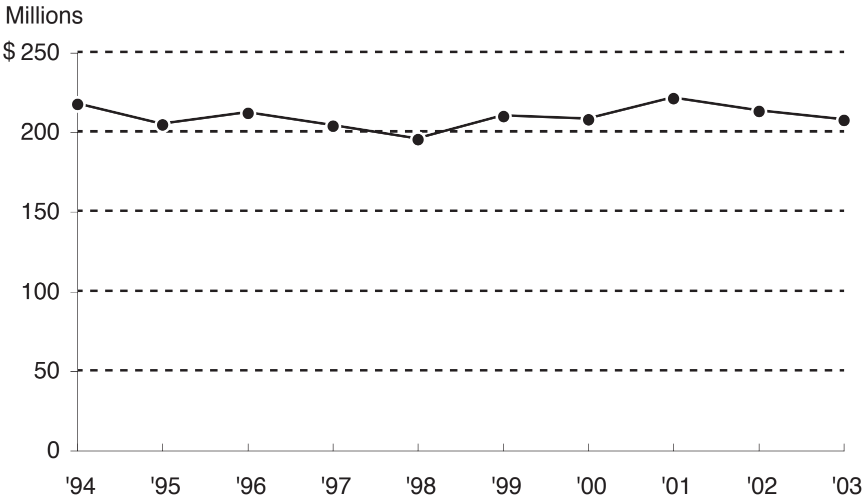
History: The tax took effect January 1, 1998.

Distribution: Personal Property Tax Replacement Income Tax.

Public utility companies report liability for the Invested Capital Tax, Electricity Distribution Tax, and Telecommunications Infrastructure Maintenance Fee to the Department of Revenue on the same tax form. The Department of Revenue does not separately tabulate amounts collected for these three taxes.

State revenue collected (from the Invested Capital Tax, Electricity Distribution Tax, and Telecommunications Infra-structure Maintenance Fee)

Fiscal year	*Receipts (millions)*	*Change*	*Fiscal year*	*Receipts (millions)*	*Change*
1994	$217.7	-2.2%	1999	$210.2	7.4%
1995	204.9	-5.9	2000	208.0	-1.0
1996	212.1	3.5	2001	221.6	6.5
1997	204.3	-3.7	2002	213.2	-3.8
1998	195.8	-4.2	2003	207.6	-2.6



Public Utility Taxes

There is one tax each on companies selling electricity, communications, and natural gas. In addition, communications and gas companies must pay an intrastate gross revenue tax to help finance the Illinois Commerce Commission. (Part of the Electric Excise Tax discussed below also funds the Commission.)

1. Electricity Excise Tax

Until August 1, 1998 the Public Utilities Revenue Tax was based on gross revenue of companies distributing and selling electricity in Illinois. Those companies were authorized to pass the tax on to consumers through a charge equal to the amount of tax. On that date the tax was replaced by a new Electricity Excise Tax on users of electricity in Illinois. Electric suppliers add this tax to residential customers' bills. Nonresidential customers can register as "self-assessing purchasers" and pay the tax directly to the Department of Revenue. Both the old and new laws exempt electricity used by municipalities to operate public transportation systems they own. Administered by Department of Revenue. (35 ILCS 640/2-1 ff.)

Rate and Base:

Residential customers:

Kwh used per month		*Tax per kwh*	*Kwh used per month*		*Tax per kwh*
First	2,000	0.330¢	Next	2,000,000	0.270¢
Next	48,000	0.319	Next	2,000,000	0.254
Next	50,000	0.303	Next	5,000,000	0.233
Next	400,000	0.297	Next	10,000,000	0.207
Next	500,000	0.286	Over	20,000,000	0.202

Self-assessing (nonresidential) purchasers:

5.1% of purchase price.

Customers of municipal electric systems and rural electric cooperatives pay the lesser of (a) 0.32¢ per kilowatt-hour or (b) 5% of purchase price.

See "Note on Abatement of Public Utility Taxes" on page 76.

Exemption: A business enterprise, classified by the Department of Commerce and Economic Opportunity as a "high impact business," that intends either (a) to make a minimum investment of $12 million and create 500 full-time jobs, or (b) to make a minimum investment of $30 million and retain at least 1,500 full-time jobs at an Illinois location, is partly or fully exempt from this tax for up to 20 years as determined by the Department.

History: A 3% tax on public utilities' (electric) gross revenue was enacted in 1937. The rate was changed three times in the 1960s, eventually becoming 5% of gross revenue in 1967. In 1985 it was set at the lesser of 5% or 0.32¢ per kwh sold to each customer. That tax was repealed by the 1997 law deregulating the electric industry, and replaced by the new excise tax on August 1, 1998. On that date the excise tax also replaced the intrastate gross (electric) revenue tax of 0.08% used to fund the Illinois Commerce Commission. The General Assembly intended the excise tax to raise substantially the same amount of revenue as the gross revenue taxes it replaced.

To encourage alternative energy production, electric utilities are required to buy electricity from new qualified solid waste-to-energy facilities (QSWEFs) in their service areas for 10 years (20 years if fueled by methane from a forest preserve district's landfill). QSWEFs use methane generated by landfills as their primary fuel. These facilities can take a credit against the Electricity Excise Public Utility Tax until the full capital costs incurred to develop the facility are paid. At that time, QSWEFs must reimburse the Public Utility Fund for the amount of the credits taken. (220 ILCS 5/8-403.1) In FY 2002, $2.2 million was deposited into the Public Utility Fund, representing several years of these repayments. In FY 2003 these repayments totaled $850,000. These amounts are included in the table on page 74.

Distribution:
1. 3% to Public Utility Fund.
2. 97% to General Revenue Fund.

Other taxes on electric utilities
Federal: None.

Local: Each municipality can impose a tax on the privilege of using electricity within its boundaries. Rates decline with more electricity use by a customer, from 0.61¢ per kwh on the first 2,000 kwh per month to 0.30¢ per kwh on monthly usage over 20 million kwh. On request by a municipality, the Commerce Commission may approve alternative maximum rates. This tax was authorized by the 1997 electric deregulation law, replacing the tax of 5% of electric companies' gross revenue. The new tax could be imposed on nonresidential customers when they became eligible to choose alternative electric suppliers (by the end of 2000). (65 ILCS 5/8-11-2)

Municipalities may also charge deliverers of electricity a fee for using public rights of way. This fee would be based on monthly usage by each customer, declining from 0.53¢ per kwh on the first 2,000 kwh to 0.26¢ per kwh on monthly amounts over 20 million kwh. (35 ILCS 645/5-5)

Other states' taxes
Taxes on gross receipts of electric companies vary widely. Their rates range from under 1% to as high as 8.2%.

2. Telecommunications (Messages) Excise Tax

This tax is imposed on persons who send or receive interstate and/or intrastate telecommunications—including telephone, telegraph, private line, channel, teletypewriter, computer exchange, mobile radio and telephone, and paging services. The tax applies to the transmission of messages or information between or among points by wire, cable, fiber optics, laser, microwave, radio, satellite, and other methods. Telecommunications providers collect the tax from their customers. Administered by Department of Revenue. (35 ILCS 630/1 ff.)

Rate and base: 7% of gross charges by businesses for transmitting messages in interstate or intrastate commerce.

See "Note on Abatement of Public Utility Taxes" on page 76.

History: The original messages tax was enacted in 1945 at a rate of 3% of gross receipts. Rate changes are shown below.

Year	*Rate*	*Year*	*Rate*
1945	3 %	1967	5%
1965	4	1985*	5
1966	3.92	1998	7

* In 1985 the tax was expanded to cover new telecommunications services and interstate messages, but its rate stayed at 5%.

Distribution: Of the original 5% tax:
(a) $12 million per year to the Common School Fund;
(b) remainder to the General Revenue Fund.

Of the additional 2 percentage points added in 1998:
(a) 50% to the School Infrastructure Fund;
(b) 50% to the Common School Fund.

Other taxes on telecommunications providers
Federal: 3% of amount billed (26 U.S. Code sec. 4251).

Local: Through 2002, each municipality could impose an occupation tax of up to 5% of gross receipts of businesses transmitting messages (65 ILCS 5/8-11-2, subd. 1). A municipality not imposing that tax could levy a 5% municipal telecommunications tax (65 ILCS 5/8-11-17). Any municipality could also impose a local telecommunications infrastructure maintenance fee of up to 1% of gross charges by providers of telecommunications to addresses in its area (2% in Chicago).

On January 1, 2003, authority for the above taxes was replaced with authority for a Simplified Municipal Telecommunications Tax on gross retail charges for telecommunications. Each municipality that imposed any of the taxes described in the preceding paragraph automatically imposed the new tax, at a rate equal to the sum of (1) 70% of its rate for the first tax described in that paragraph, plus (2) its actual rates for the other two taxes—each rounded to the nearest 0.25%. Any municipality can change the rate of this tax in 0.25% increments, subject to a limit of 6% (7% in Chicago). (35 ILCS 636/5-1 ff.)

Other states' taxes
Taxes on gross receipts of telephone and telegraph companies vary widely among states, with rates ranging from under 1% to 8.2%.

3. Natural Gas Revenue Tax

This tax is imposed on companies distributing natural gas in Illinois, which can pass it on to customers. Administered by Department of Revenue. (35 ILCS 615/1 ff.)

Rate and base: The lesser of:
- (a) 2.4¢ per therm of gas sold to each customer, or
- (b) 5% of gross revenue from each customer.

See "Note on Abatement of Public Utility Taxes" on page 76.

History: The gas revenue tax was enacted in 1945 at a rate of 3%. Rate changes since then are shown below.

Year	*Rate*	*Year*	*Rate*
1945	3.00%	1967	5.00%
1965	4.00	1985	5.00% or 2.4¢ per therm
1966	3.92		

Disposition: To General Revenue Fund.

Other taxes on natural gas utilities
Federal: None.

Local: A municipality can impose an occupation tax based on the gross receipts of businesses that provide natural gas for consumption within its limits, at a rate up to 5% (8% in Chicago) (65 ILCS 5/8-11-2).

Other states' taxes
Taxes on gross receipts of natural gas distribution companies vary widely among states. Rates range from under 1% to as high as 8.2%.

4. Intrastate Gross Revenue Tax

This tax is imposed on public utility companies (except electric companies) that are regulated by the Illinois Commerce Commission, for the privilege of doing business in the state. (The law excludes municipally operated utilities and mutual telephone companies.) Proceeds of the tax pay the expenses of the Commission. Administered by Department of Revenue. (220 ILCS 5/2-202)

Rate and base: Up to 0.1% of a company's gross revenue from intrastate business for the calendar year.

History: The tax was first imposed in 1963 at a rate of 0.08%. The statute provided for proceeds to be deposited into the Public Utility Fund. Up to $3 million per biennium could be transferred from the Fund to pay the Commission's expenses. The maximum biennial transfer was increased to $3.5 million in 1967 and $5.5 million in 1970. A 1977 law abolished the limit on amounts of transfers from the Fund to the Commission. In 1987 the Commission was authorized to raise the rate to as much as 0.1%. The 1997 law deregulating Illinois electric suppliers exempted them from this tax and provided for 3% of Electric Excise Tax revenue to go to the Public Utility Fund.

If the balance in the Public Utility Fund exceeds $5 million in October of an odd-numbered year, the Commission issues a memorandum of credit to each company for its proportionate share of the fund balance, and its tax liability is reduced by that amount.

Disposition: To the Public Utility Fund.

Other taxes on public utility companies

Federal: None.

Local taxes: See previous entries on other public utility taxes.

Other states' taxes

Forty-one states impose separate taxes on public utility companies to pay administrative expenses of state regulatory bodies. Rates vary, but all are below 1% of gross intrastate revenue.

State revenue collected from all utility taxes:

Total

Fiscal year	*Receipts (millions)*	*Change*	*Fiscal year*	*Receipts (millions)*	*Change*
1994	$798.6	6.7%	1999	$1,213.1	22.9%
1995	757.0	-5.2	2000	1,316.4	8.5
1996	848.6	12.1	2001	1,384.3	5.2
1997	888.7	4.7	2002	1,355.0	-2.1
1998	987.1	11.1	2003	1,231.8	-9.1

Public Utilities (Electricity) Revenue Tax

Fiscal year	*Receipts (millions)*	*Change*	*Fiscal year*	*Receipts (millions)*	*Change*
1994	$301.8	2.1%	1999	$370.6	11.4%
1995	293.5	-2.8	2000	416.1	12.3
1996	320.5	9.2	2001	397.3	-4.5
1997	312.1	-2.6	2002	402.4	1.3
1998	332.8	6.6	2003	399.5	-0.7

Telecommunications (Messages) Tax

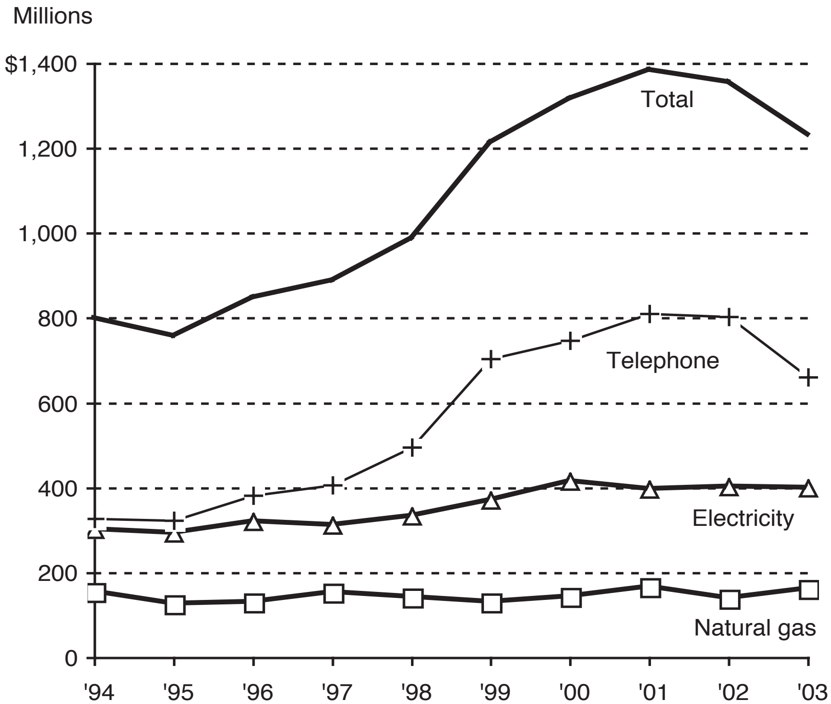
Fiscal year	*Receipts (millions)*	*Change*	*Fiscal year*	*Receipts (millions)*	*Change*
1994	$327.7	13.2%	1999	$704.0	42.1%
1995	322.9	-1.5	2000	747.9	6.2
1996	382.0	18.3	2001	810.4	8.4
1997	407.3	6.6	2002	802.9	-0.9
1998	495.5	21.7	2003	661.7	-17.6

Natural Gas Revenue Tax

Fiscal year	*Receipts (millions)*	*Change*	*Fiscal year*	*Receipts (millions)*	*Change*
1994	$154.9	3.4%	1999	$130.9	-8.2%
1995	126.5	-18.3	2000	144.2	10.2
1996	130.6	3.2	2001	166.5	15.5
1997	153.1	17.2	2002	139.8	-16.0
1998	142.6	-6.9	2003	162.7	16.4

Intrastate Gross Revenue Tax

Fiscal year	*Receipts (millions)*	*Change*	*Fiscal year*	*Receipts (millions)*	*Change*
1994	$14.2	5.2%	1999	$7.6	-53.1%
1995	14.1	-0.7	2000	8.2	7.9
1996	15.5	9.9	2001	10.1	23.2
1997	16.2	4.5	2002	9.9	-2.0
1998	16.2	0.0	2003	7.9	-20.2



Note on Abatement of Public Utility Taxes

State and/or municipal public utility taxes on a business can be abated if the Department of Commerce and Economic Opportunity certifies that:

(1) the business has (a) made investments that created at least 200 full-time-equivalent jobs in Illinois; (b) invested at least $175 million to create at least 150 jobs in Illinois; or (c) kept at least 1,000 full-time jobs in Illinois; and

(2) the business is either (a) in an Illinois Enterprise Zone or (b) in a federally designated Foreign Trade Zone or Subzone and designated by the Department as a High Impact Business.

The extent and length of abatement are decided by the state and local government. Abatement may last up to 30 years or the certified term of the enterprise zone, whichever is less. If the state and/or local government decides to abate the public utility tax for a particular firm, each public utility serving that firm is excused from collecting public utility tax on service provided to it, and from paying the tax to the government imposing the tax. Also, a municipality that taxes a public utility may, by ordinance, exempt a unit of local government or school district within the utility's territory from paying the tax. (20 ILCS 655/5.3; 65 ILCS 5/8-11-2, paragraphs (e) and (f); 220 ILCS 5/9-222.1; and 35 ILCS 640/2-3(d), last paragraph)

Pull Tab and Jar Games Tax and Fees

The state gets two kinds of revenue from pull tabs and jar games: license fees, and the pull tab and jar games receipts tax. Pull tabs and jar games use single-folded or banded tickets, or a card whose face is initially covered from view to conceal a number, symbol, or set of symbols. Each player chooses one of the tickets or positions on a card, then learns whether it is a winner. Pull tabs are played by pulling a tab from a board to reveal a number corresponding to the number for a given prize. The cost of a single ticket cannot exceed $2, and no prize for a single game can exceed $500. No more than 6,000 tickets can be sold for a single game. Organizations with charitable-games licenses may conduct pull tab and jar games; such games may also be conducted at bingo locations. Administered by the Gaming Board in the Department of Revenue. (230 ILCS 20/1 ff.)

Rate and base:

1. Licenses offered and fees are: (a) A $500 annual license for a nonprofit charitable, educational, religious, fraternal, veterans', labor, youth athletic, or senior citizens' organization to hold games at a single location. (b) A $50 special permit for such an organization to hold games on up to 2 occasions per year, for a maximum of 5 days each time. (c) A $5,000 annual license for suppliers and manufacturers of pull tab and jar games materials and equipment.
2. Pull tab and jar games receipts tax: 5% of gross receipts.

History: The tax took effect July 1, 1988.

State revenue collected

	License fees		*Tax*	
Fiscal year	*Receipts (thousands)*	*Change*	*Receipts (millions)*	*Change*
1994	$737.2	9.4%	$6.3	12.5%
1995	731.8	-0.7	7.2	14.3
1996	722.4	-1.3	7.6	5.5
1997	709.8	-1.7	7.1	-6.6
1998	692.4	-2.5	7.8	9.8
1999	694.6	0.3	7.7	-5.1
2000	646.0	-6.9	7.6	-1.3
2001	632.3	-2.1	7.3	-3.9
2002	638.0	0.9	7.0	-4.1
2003	599.5	-6.0	7.0	0.0

Distribution:
1. 50% to the Common School Fund.
2. 50% to the Illinois Gaming Law Enforcement Fund.

Other taxes on similar wagering

Federal: A federal tax of 0.25% is imposed on the amount of any wager permitted by state law. But this law exempts drawings, punchboards, and similar devices if operated by an organization that is exempt from taxation under section 501 of the Internal Revenue Code (26 U.S. Code secs. 4401, 4421, and 501). A federal license fee of $50 is also imposed on persons accepting wagers authorized by state law.

Local: No tax is authorized by statute. Even home-rule units probably cannot collect license fees due to the restriction on licensing for revenue in the Illinois Constitution, art. 7, subsec. 6(e). A tax on the gross receipts of game operators probably would also be invalid under that provision as an occupation tax.

Counties and municipalities are authorized to license and regulate raffles held by nonprofit charitable, educational, religious, fraternal, veterans', labor, and some kinds of business organizations (230 ILCS 15/1 ff.).

Other states' taxes

At least five states separately tax proceeds of pull tabs and jar games. Taxes on gross receipts from such games are 10% in Oklahoma, 1.7% in Minnesota, and 4.5% in North Dakota. Mississippi imposes a tax of 2.5% on net proceeds. Missouri imposes a tax of 2% of the pull tabs' retail sales value. Pull tabs and jar games may be taxed by local governments in some states.

Racing Taxes

The pari-mutuel tax is imposed on daily racing receipts of racetrack operators. Lesser amounts of revenue come from the state's racetrack admission tax (15¢ per person) and license fees charged to racing organizations and racetrack personnel. Administered by Department of Revenue. (230 ILCS 5/25 ff. and 5/32.1)

Rate and base:

1.5% of daily pari-mutuel handle (total amount bet).

The tax on the licensees of any track holding live racing dates during a tax year is reduced by credits equaling the greater of:

(a) half the property tax paid on the racetrack in the preceding year, or

(b) the amount by which the property tax paid on the racetrack in the preceding year exceeds 60% of the average property taxes paid in the preceding year for all racetracks awarded live horse racing meets in the tax year.

The tax is not levied on winning wagers made in Illinois on races held outside of Illinois.

History: The Horse Racing Act of 1927 had different privilege tax schedules for thoroughbred and harness racing wagers. Under the Horse Racing Act of 1975, a single privilege tax schedule was established for wagers on both types of racing. The 1975 Act based the tax on the daily wagering handle, rather than on the cumulative handle at a race meeting as under the 1927 law. In 1979 the graduated tax rate on daily wagers was reduced by percentages ranging from 53.3% for amounts wagered up to $200,000 per day, to 20.5% for amounts over $3 million per day. The Downstate tax rates were enacted in 1985.

A 1986 law phased out the graduated racing privilege tax rates. Since 1988 the privilege tax rate has been a flat 2% at Cook County tracks (Arlington, Hawthorne, Sportsman's, and Maywood). At Downstate tracks (Balmoral, Fairmont, and Quad City Downs) the tax rate is 1% of the first $400,000 wagered each day and 2% on the excess over $400,000. The Quad City

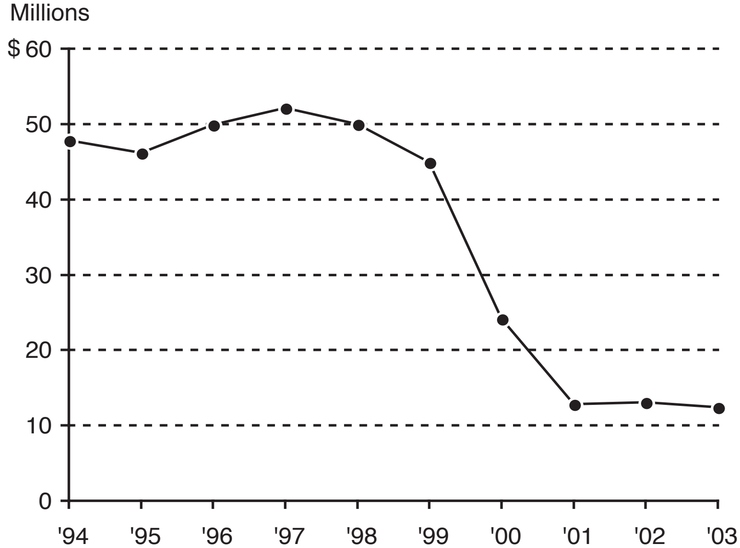
Downs, operating in Rock Island, closed in 1994. Arlington was closed for the 1998 racing season.

Off-track betting was authorized beginning July 1, 1987. Each of the state's 6 racetrack organizations is authorized to operate 4 OTB locations (except Fairmont Park near East St. Louis, which has 5). The 16 locations for the four Cook County tracks cannot be more than 90 miles from their respective sponsoring tracks. The nine locations of the two Downstate tracks cannot be more than 135 miles from their sponsoring tracks. Neither kind of location can be within 5 miles of an existing track without written permission from the track owner.

The graduated privilege tax was abolished in 1999 and replaced by a flat-rate pari-mutuel tax.

State revenue collected

	Pari-mutuel tax		*Admission tax and fees*	
Fiscal year	*Receipts (millions)*	*Change*	*Receipts (millions)*	*Change*
1994	$47.8	6.0%	$0.8	-20.0%
1995	46.2	-3.3	0.7	-12.5
1996	49.9	8.0	0.7	0.0
1997	52.1	4.4	0.7	0.0
1998	50.0	-4.0	0.7	0.0
1999	44.9	-10.2	0.6	-14.3
2000	24.2	-46.1	0.1	-83.3
2001	12.8	-47.1	0.1	0.0
2002	13.1	-2.3	0.1	0.0
2003	12.4	-5.3	0.1	0.0



Distribution:

1. 8.5% of pari-mutual tax collected for quarter-horse racing to the Illinois Quarter Horse Breeders Fund. (230 ILCS 5/30.5(b))
2. All other pari-mutual tax to the Horse Racing Fund. Part of the money going to the Fund is then transferred to the General Revenue Fund; but most of it is then used to pay for activities related to racing. Any remainder is available for general state spending.

Other taxes on race wagering

Federal: The federal tax of 0.25% of the amount of any wager allowed by state law does not apply to wagers made with a pari-mutuel wagering enterprise licensed under state law (26 U.S. Code subsec. 4402(1)).

Local: A municipality or township hosting a race licensed by the Illinois Racing Board may charge an admission tax up to 10¢ per person. A township may do so only if the racetrack is in an unincorporated area. Imposition by a home-rule unit of such a tax before it was authorized by statute has been held invalid. A municipality and a county with an OTB facility may each impose an admission fee up to $1 per admission; thus admission fees may total $2 (230 ILCS 5/27(f)).

An OTB licensee must pay 1% of the pari-mutuel handle at each OTB location to the municipality and 1% to the county. If the OTB location is in an unincorporated area, the county gets 2% (230 ILCS 5/26(h)(10.1)).

Other states' taxes

In states allowing wagers on horse racing, each track is allowed to retain a percentage of the money wagered each day to pay state taxes, compensate track management, and pay the purses of winning horses. This percentage, commonly called the "take," is regulated by state law. Most other money wagered is distributed among winning bettors.

The "take" may vary by type of race (thoroughbred or harness) or type of wager. A regular wager involves a bet on a single horse for a single race. Multiple wagers involve bets on more than one horse in a single race: quinella (first and second horses regardless of order); perfecta (first and second horses in that order); trifecta (first, second, and third horses in that order); or a combination of races (daily double).

At least 20 other states tax bets on horse races:

Florida	New York
Idaho	North Dakota
Kentucky	Ohio
Maryland	Oklahoma
Massachusetts	Pennsylvania
Minnesota	Rhode Island
Montana	Virginia
Nebraska	Washington
New Hampshire	West Virginia
New Mexico	Wisconsin

Many states also impose taxes on intertrack, simulcast, televised, and rebroadcast wagering at off-track facilities. Some states' rates vary during each year.

In addition, Kentucky collects a license tax on race operators based on the average daily mutuel handle—up to \$2,500 for a daily average of at least \$900,000. Ohio imposes a racing permit tax of 3% of total daily wagers, plus 0.1% if total wagers are below \$5 million and 0.15% if they are at least \$5 million. At least 9 states tax admissions to racetracks, in amounts ranging from 10¢ in Minnesota to 50¢ in Wisconsin. Nebraska imposes a tax of 0.4% of gross wagers the preceding year. States collecting admissions taxes as percentages of admission charges include New York (4%), Oklahoma (10%), and Pennsylvania (15%). Florida's rate is the greater of 10¢ or 15% of the admissions charge. Rhode Island's rate is 20% (1¢ per 5¢ in admissions charge).

Several states also collect similar taxes on dog racing and jai alai games. Florida and Rhode Island impose a tax on the handle for jai alai. At least seven states impose racing taxes on dog racing: Arkansas, Florida, Massachusetts, New Hampshire, Rhode Island, West Virginia, and Wisconsin.

Real Estate Transfer Tax

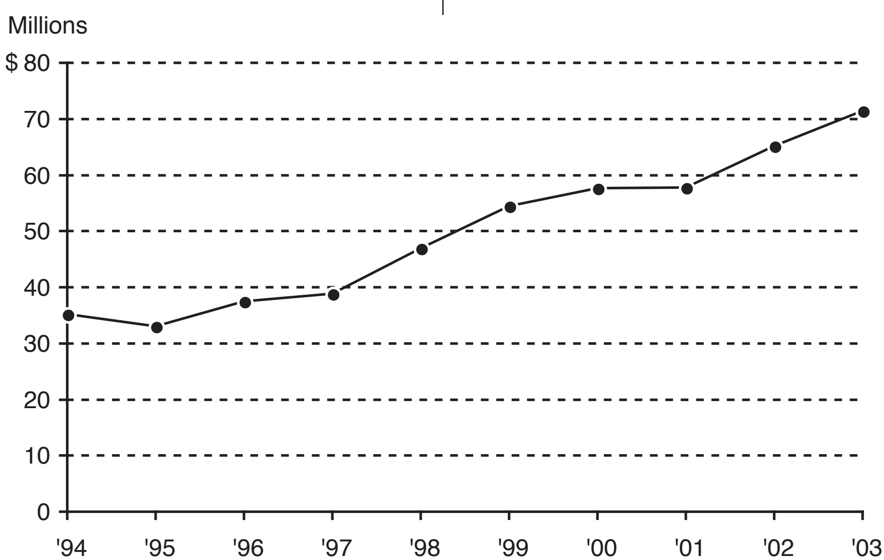
This tax is imposed on sellers of real estate when they transfer title. Administered by Department of Revenue. (35 ILCS 200/ 31-1 ff.)

Rate and base: 50¢ per $500, or fraction thereof, in market value of property transferred. If the property transferred is subject to a mortgage, only the excess of value of the property over the amount owed (owner's equity) is taxed.

History: The tax was enacted in 1967 at the current rate. The rate was reduced to 25¢ per $500 in 1979, then restored to 50¢ per $500 in 1989.

State revenue collected

Fiscal year	*Receipts (millions)*	*Change*	*Fiscal year*	*Receipts (millions)*	*Change*
1994	$35.2	23.5%	1999	$54.5	16.2%
1995	33.0	-6.3	2000	57.7	5.9
1996	37.5	13.6	2001	57.8	0.2
1997	38.9	3.7	2002	65.2	12.8
1998	46.9	20.6	2003	71.4	9.5



Distribution:

1. 50% to the Illinois Affordable Housing Trust Fund.
2. 20% to the Open Space Lands Acquisition Development Fund.
3. 5% to the Natural Areas Acquisition Fund.
4. 25% to the General Revenue Fund (GRF).

Other taxes on transfers of real estate

Federal: None. A federal tax of 50¢ per $500 of the value of property transferred was repealed in 1967.

Local: Counties can impose a tax of 25¢ per $500 of value (55 ILCS 5/5-1031). Some home-rule municipalities also impose such taxes. The governing body of a home-rule municipality or county must hold a public hearing and referendum to impose or increase a local real estate transfer tax.

Other states' taxes

Twenty-eight states impose real estate transfer taxes, at rates ranging from 1¢ per $100 of sale price in Colorado to $4.56 per $1,000 (just under 0.5%) in Massachusetts, 0.5% in Connecticut, and 2% in Delaware. Rhode Island in 2002 raised its tax to $2 per $500 of sale price (0.4%). Arizona charges $2 per deed. Georgia's rate is $1 for the first $1,000 of sale price and 10¢ for each additional $100 (0.1%).

Riverboat Gambling Taxes and Fees

Illinois gets two kinds of revenue from licensed riverboat gambling: wagering taxes, and license fees. The law also imposes an admission tax, to be distributed to the county and municipality where a gambling boat docks. The law authorizes a total of 10 riverboat licenses. Administered by Illinois Gaming Board in the Department of Revenue. (230 ILCS 10/1 ff.)

Rate and base:

1. Wagering tax:

	Adjusted gross receipts		*Rate*
Up to	$ 25	million	15.0 %
	37.5	million	27.5
	50	million	32.5
	75	million	37.5
	100	million	45
	250	million	50
Over	250	million	70

2. License fees: (a) $25,000 nonrefundable application fee; (b) $5,000 annual operator's fee; (c) $50,000 fee for background investigation costs; and (d) $5,000 annual gambling device supplier's fee.
3. Admission fee:
   a. $3 per person if admissions in preceding calendar year were under 1 million.
   b. $4 per person if admissions in preceding calendar year were between 1 million and 2.3 million.
   c. $5 per person if admissions in preceding calendar year were over 2.3 million.

History: The tax was enacted in 1990 at a flat rate of 20% of adjusted gross receipts. In 1997 that was changed to a graduated rates system with 5 rates. On July 1, 2003, P.A. 93-27 expanded the graduated rates to include 7 rates (as listed above). These rates will be imposed until (a) July 1, 2005, (b) one of the riverboats becomes dormant, or (c) additional licenses are authorized.

In 1999, riverboats were first allowed to conduct gambling while docked.

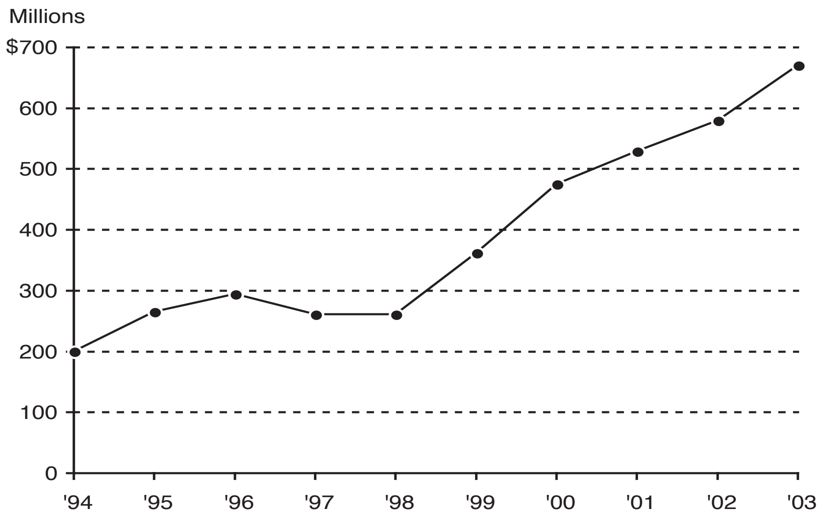
Illinois has 9 riverboats still operating, listed below by when each opened:

Location	*Year and month opened*	
Alton	1991	September
Peoria	1991	November
Rock Island	1992	March
Joliet	1992	June
Metropolis	1993	February
Joliet	1993	May
Aurora	1993	June
East St. Louis	1993	June
Elgin	1994	October

A boat opened at Galena in June 1992 but closed in July 1997.

State revenue collected

Fiscal year	*Receipts (millions)*	*Change*	*Fiscal year*	*Receipts (millions)*	*Change*
1994	$200.7	133.6%	1999	$362.1	38.7%
1995	265.9	32.5	2000	475.5	31.3
1996	295.0	10.9	2001	529.1	11.3
1997	261.1	-11.5	2002	580.2	9.7
1998	261.0	0.0	2003	670.5	15.6



Distribution:

1. Amount above what would have been collected under the previous graduated rates to the Common School Fund.
2. All regular wagering taxes and fees to the State Gaming Fund to be distributed as follows:
   (a) 5% of each boat's monthly receipts to the local government where the boat docks.
   (b) The amount appropriated to the Departments of Revenue and State Police for administering and enforcement of the Riverboat Gambling Act, and to the Department of Human Services to administer programs to treat problem gambling.
   (c) Of receipts from (i) a riverboat that was licensed but not operating on January 1, 1998 and moves to a new location or (ii) a riverboat newly licensed after June 25, 1999 (whichever occurred first),
      - 15% to the Horse Racing Equity Fund, and an equal amount to the Education Assistance Fund.
      - 2% of adjusted gross revenue to home rule counties with population over 3,000,000 to improve criminal justice programs, and an equal amount to the Education Assistance Fund.
      - 2% of the AGR to the State Universities Athletic Capital Improvement Fund.

   (d) Remainder of all regular taxes to the Education Assistance Fund.
3. Fines and penalties to Education Assistance Fund.
4. Admission tax:
   (a) $1 to the municipality where the riverboat docks (or the county if it docks in an unincorporated area).
   (b) Remainder to the state.

Other taxes on riverboat gambling

Federal: A federal tax of 0.25% applies to any wager allowed by state law. But the tax does not apply to a game in which all participants are present during the wagering, determination of winners, and distribution of prizes (26 U.S. Code secs. 4401 and 4421).

Local: None are authorized.

Other states' taxes

Indiana, Iowa, Louisiana, Mississippi, and Missouri are the only other states with riverboat gambling taxes. Iowa's gross-receipts tax is 5% of the first $1 million wagered, 10% of the next $2 million, and 20% of the excess over $3 million. Iowa also requires riverboat operators to collect an admission fee of 50¢ per person. An Iowa city or county hosting a riverboat can charge an additional 50¢ admission fee with voter approval. Mississippi imposes fees of 4% to 8% on gross receipts, and additional annual fees based on the number of games conducted. Local governments in Mississippi can also tax monthly gross receipts from riverboat gambling at the following rates: 0.4% of the first $50,000; 0.6% of amounts between $50,000 and $134,000; and 0.8% of the excess over $134,000.

Louisiana imposes an annual tax of 17% of net proceeds. Indiana imposes a tax of 20% of adjusted gross receipts for riverboats allowing gambling at the dock, and 22.5% for riverboats that do not. Indiana also imposes an admissions tax of $3 ($4 in some counties). Missouri imposes taxes of 20% of adjusted gross receipts and a $3 admission fee.

Sales and Use Taxes

The "sales" tax actually consists of two matching pairs of taxes:

- The retailers' occupation tax, and the use tax.
- The service occupation tax, and the service use tax.

The retailers' occupation tax is imposed on gross receipts of retailers from sales of tangible personal property in Illinois.

The use tax is imposed on persons who use tangible personal property in Illinois. If that property is bought from an Illinois retailer, the retailer collects the use tax and uses it to pay the retailers' occupation tax. A person who buys property out of state, paying a lower rate of sales tax than would be due here, and then uses it in Illinois is liable for the difference as use tax.

The service occupation tax and service use tax are similar to the retailers' occupation tax and use tax, but apply to tangible property received incident to buying a service. There is no tax on the charge for the service. For example, if a car is repaired, these taxes apply only to the prices of any replacement parts used, not labor.

If out-of-state sellers have offices or other facilities in Illinois, the Illinois Department of Revenue can require them to collect these taxes on their sales in Illinois. Administered by Department of Revenue. (35 ILCS 105/1 ff. (use tax); 120/1 ff. (retailers' occupation tax); 110/1 ff. (service use tax); and 115/1 ff. (service occupation tax).)

Rate and base: 6.25% of the purchase price (except on food and drugs, gasohol, blended ethanol, biodiesel, and biodiesel blends, as described below). The state keeps 5% of the purchase price and pays the remaining 1.25% to local governments, as described below.

Retailers' occupation tax exemptions
A rate of only 1% applies to food to be consumed off the premises (except alcoholic beverages, soft drinks, and food prepared for immediate consumption); modifications to automobiles used by disabled persons; and medicines and medical appliances. That 1% goes to local governments. Municipalities and counties can exempt food from this tax if it is sold below retail cost, for off-premises consumption, by a nonprofit organization that requires buyers to do community service as a condition of buying.

For gasohol, the retailers' occupation tax applies to only 80% of the sales price. No sales tax applies to fuel that is mostly ethanol or 100% biodiesel. For biodiesel blends, the tax applies to 80% of the sales price of blends with 1% to 10% biodiesel. No tax applies to biodiesel blends with over 10% biodiesel. These rates will be imposed until December 31, 2013. If the tax rate is reduced to 1.25% (as occurred from July 1 to December 31, 2003), 100% of the sale price of gasohol and blends with 10% to 99% biodiesel will be taxed.

The state sales tax (5%) on regular motor fuels and gasohol was suspended from July through December 2000, but resumed on January 1, 2001.

The following *classes of items* are completely exempt from retailers' occupation tax:

1. Mandatory service charges to the extent they cover tips for persons directly involved in preparing, serving, hosting, or cleaning after a function for which the charges are imposed.
2. Farm chemicals.
3. New and used farm machinery (including farm wagons, trailers, and similar vehicles with gross weight up to 36,000 pounds, and apparatus for transporting or spreading chemicals) for production agriculture, or for state or federal agricultural programs; facilities to propagate, grow, or overwinter plants; and precision farm equipment such as soil sensors, computers, global positioning systems for soil testing and mapping, and equipment to collect data to formulate animal diets and farm chemicals.
4. Motor vehicles, recreational vehicles, and vans designed to carry 7 to 16 people, if they are to be rented out by a leasing company (see "Automobile Renting Occupation & Use Tax" on page 6).
5. Motor vehicles sold in Illinois to nonresidents and not titled in Illinois, if drive-away permits are issued for them.
6. Newsprint and ink.
7. All machinery, equipment, structures, and associated apparatus of a coal gasification operation.
8. Legal tender, currency, medallions, or gold or silver coins issued by Illinois, the U.S., or any foreign country; or bullion.
9. Photoprocessing machinery and equipment, including repair and replacement parts.
10. Photoprocessing products sold for use in commercial motion pictures.

11. Semen used for artificial insemination of livestock for direct agricultural production.
12. Some kinds of thoroughbred and standardbred horses used for breeding and racing purposes.
13. Equipment used for diagnosis, analysis, or treatment of hospital patients, and computers and communications equipment used for any hospital purpose, if bought by a lessor and leased for at least 1 year to a hospital having an active tax exemption number.
14. Jet fuel used in operating high-impact service facilities in enterprise zones where mail, freight, cargo, or other parcels are sorted, handled, and redistributed (until January 2008).
15. Game or game birds bought at a game breeding and hunting preserve.
16. Motor vehicles donated to a recognized educational organization. (Such donations had been treated as taxable.)
17. Motor vehicles weighing over 8,000 pounds and subject to the commercial distribution fee (see "Driver's License & Vehicle Fees" on page 22). This exemption also applies to repair and replacement parts, if the vehicle qualifies for the rolling stock exemption described below.

Sales in the following *kinds of situations* are also exempt:

1. Sales to government bodies; charitable, religious, and educational organizations; or nonprofit corporations organized to provide recreation to persons 55 or older.
2. Isolated or occasional sales by persons other than retailers.
3. Occasional dinners of charitable, religious, or educational organizations.
4. Sales of property to interstate carriers for hire for use as rolling stock in interstate commerce, or to lessors under leases of at least 1 year executed or in effect at the time of purchase to interstate carriers for hire for use as rolling stock in interstate commerce. As of July 1, 2004, this exemption requires that at least 51% of the vehicle's total trips be for transporting people or property and cross an Illinois state border.
5. Sales of fuel consumed or used in ships, barges, or vessels used primarily to transport persons or property on a river bordering Illinois, if the fuel is delivered while the ship, barge, or vessel is on that river.
6. Sales of petroleum products if federal law prohibits the seller from charging tax.
7. Sales of personal property to a nonprofit Illinois county fair association for fair use.

8. Sales of personal property by a teacher-sponsored student organization affiliated with a school.
9. Sales of machinery and equipment used for general maintenance and repair, or in-house manufacture, of exempt machinery and equipment.
10. Sales of machinery to operate other equipment in a computer-assisted design (CAD) or computer-assisted manufacturing (CAM) system.
11. Sales of repair and replacement parts, fuels, equipment, and supplies used in manufacturing processes bought by a business certified by the Department of Commerce and Economic Opportunity and located in an enterprise zone.
12. Sales of personal property by nonprofit organizations organized to benefit people over 65.
13. Sales to nonprofit arts or cultural organizations, including music and dramatic arts organizations, symphony orchestras and theatrical groups, local arts councils, visual arts organizations, and media arts organizations.
14. Sales of aviation fuel for flights beginning or ending outside the U.S.
15. Sales of flowers by wire outside Illinois for delivery by Illinois florists.
16. Sales of tangible personal property to a railroad, transported out of Illinois for use elsewhere.
17. Purchases of personal property by a lessor if leased to a governmental body (with an active tax exemption number) for at least 1 year.
18. Sales of personal property for donation by a registered Illinois manufacturer or retailer to a relief organization with an active tax exemption number, for disaster relief in Illinois or a bordering state, through 2004.
19. Sales of personal property used to make repairs to public infrastructure within 6 months after a state or federal disaster in Illinois or a bordering state, through 2004.
20. Personal property sold at school fundraising events sponsored by volunteer entities that are recognized by a school district.
21. Sales of property to be used for repair or rebuilding of aircraft at a maintenance facility operated by an interstate carrier, in a county of 150,000 to 200,000 that contained 3 enterprise zones at the end of 1990, if other criteria are met.

Use tax exemptions

The use tax does not apply to use of personal property that would be exempt from the retailers' occupation tax, or to the following kinds of property:

1. Property brought into the state for temporary use by a nonresident.
2. Property already taxed in another state, to the extent of the tax paid there.
3. Temporary storage in Illinois of property acquired and later used outside the state, or that is altered and, as altered, used outside the state.
4. Building materials temporarily stored in Illinois if acquired by a registered combination retailer and construction contractor, either inside or outside Illinois, and used outside Illinois by incorporating it into realty outside Illinois.
5. Property acquired outside the state by a nonresident and used for at least 3 months before being brought into Illinois for use here.
6. Used property moved to Illinois by a business formerly not operating in Illinois, if the property has been bought and used in the business outside Illinois for at least 3 months.
7. Motor fuel acquired outside Illinois and brought into the state in fuel supply tanks of locomotives engaged in freight hauling and passenger service in interstate commerce.
8. Food for human consumption off the premises where sold, and prescription and nonprescription medicines, medical appliances, and insulin, urine testing materials, syringes, and needles used by diabetics, if used by a person living on medicaid in a licensed nursing home.
9. Motor vehicles weighing over 8,000 pounds and subject to the commercial distribution fee (see "Driver's License & Vehicle Fees" on page 22). This exemption also applies to repair and replacement parts, if the vehicle qualifies for the rolling stock exemption.

Service tax exemptions

Service transactions involving provision of the following kinds of property are exempt from the service use and service occupation taxes:

1. Personal property taxable under the retailers' occupation or use tax, and tangible personal property offered for resale.
2. Personal property that is essential for providing service for or by any governmental body or charitable, religious, or educational organization, or nonprofit corporation organized for the recreation of persons 55 or older.
3. Personal property that is essential for providing service by interstate carriers for hire for use as rolling stock in interstate commerce, or

by lessors under leases of at least 1 year, executed or in effect at the time of purchase, to interstate carriers for hire as rolling stock moving in interstate commerce if 51% of the carrier's total trips are used for transporting people or property and cross the Illinois state border.

4. Property that is incorporated into other tangible personal property and sold in the regular course of business, or that is transported in interstate commerce to destinations outside Illinois.
5. Sales for the primary purpose of conveying news, with or without other information.
6. Property acquired outside the state and moved into Illinois for use as rolling stock in interstate commerce, if at least 51% of the carrier's total trips are used for transporting people or property and cross an Illinois state border.
7. Property that cannot be taxed under federal law.
8. Interim use of tangible personal property.
9. Property temporarily used in the state by nonresidents.
10. Property taxed in another state, but only to the extent of the tax paid there.
11. Property temporarily stored in the state for later use outside the state, or rented and used outside the state.
12. Property acquired outside the state at least 3 months before being used in Illinois.
13. Machinery and equipment primarily used for manufacture or assembly of tangible personal property for sale or lease.
14. Mandatory service charges to the extent they cover tips for persons directly involved in preparing, serving, hosting, or cleaning after a function for which the charges are imposed.
15. New or used farm machinery for production agriculture, or for state or federal programs.
16. All machinery, equipment, structures, and associated apparatus of a coal gasification operation.
17. Motor vehicles designed to carry up to 10 people, if they are to be rented out by a leasing company.
18. Property used for repairing railroad equipment that is transported outside Illinois for use elsewhere.
19. Sale or transfer of property made on special order for an interstate carrier for hire that is received in Illinois but transported to and used outside Illinois.
20. Personal property bought by a nonprofit Illinois county fair association for fair use.

21. Personal property sold by a teacher-sponsored student organization affiliated with an elementary or secondary school.
22. Legal tender, currency, medallions, or gold or silver coins issued by Illinois, the U.S., or any foreign country, and bullion.
23. Photoprocessing machinery and equipment, including repair and replacement parts.
24. Machinery and equipment used for general maintenance and repair, or in-house manufacture, of exempt machinery and equipment.
25. Machinery used to operate other equipment in a computer-assisted design (CAD) or computer-assisted manufacturing (CAM) system.
26. Proceeds from sales of personal property by nonprofit organizations organized to benefit people over 65.
27. Sales to nonprofit music or dramatic-arts organizations that present live performances on a regular basis.
28. Aviation fuels bought for flights outside the United States.
29. Photoprocessing products used in commercial motion pictures.
30. Motor vehicles weighing more than 8,000 pounds and subject to the commercial distribution fee (see "Driver's License & Vehicle Fees" on page 22). This exemption also applies to repair and replacement parts, if the vehicle qualifies for the rolling stock exemption.

On June 30, 2003 the Manufacturer's Purchase Credit was repealed. Also on that date, vehicles bought by insurers to settle total-loss claims became subject to sales tax, and a separate tax on those replacment vehicles was repealed.

History:	*Year*	*Rate*
The retailers' occupation tax was enacted in 1933 at a rate of 2%.	1933	2 %
	1935	3
	1941	2
The use tax was added in 1955 at the same rate.	1955	2.5
	1959	3
The service use tax and service occupation taxes were added in 1961.	1961	3.5
	1967	4.25
	1969	4
	1984	5
	1990	6.25*

* The 6.25% listed is a combined state-local rate. The state keeps 80% (the first 5¢ per $1), and pays the other 20% (1.25¢ per $1) to local governments. See "Distribution" on page 98.

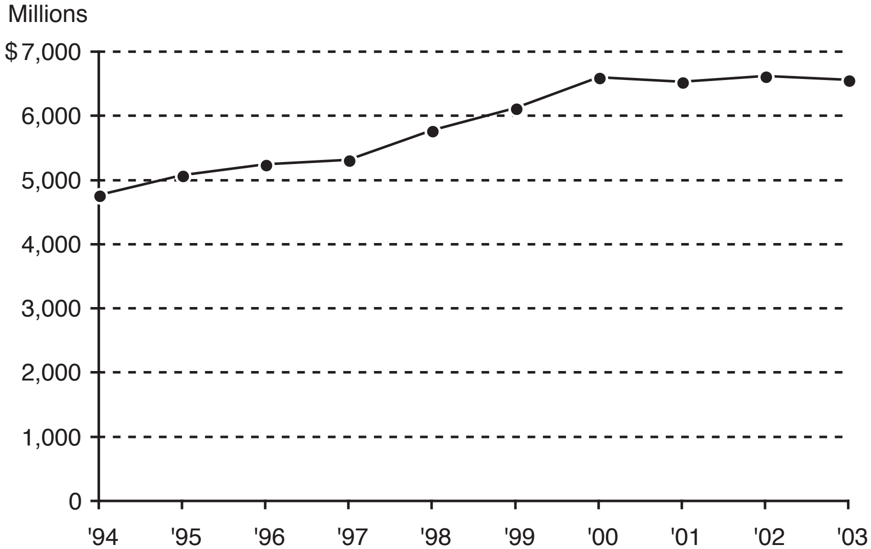
Rates of sales and use taxes on food and drugs were reduced from 4% to 3% on January 1, 1980, and from 3% to 2% on January 1, 1981. All food not for consumption on the premises, and all drugs, were completely exempted from state sales and use taxation on January 1, 1984. When the combined state-local rate of 6.25% took effect in 1990, a state tax of 1% was imposed on food and drugs; its proceeds are transferred to local governments.

In 2003, P.A. 93-24 created the Aircraft Use Tax on the sale of airplanes (35 ILCS 157/10-1 ff.), and P.A. 93-31 created the Gas Use Tax (35 ILCS 173/5-1 ff.), effective October 1, 2003. The latter tax applies to natural gas bought out of state but used in Illinois. Its rate is the lesser of 2.4¢ per therm or 5% of the price. Exemptions from the Gas Use Tax include gas used:

(a) by businesses in enterprise zones;
(b) by governmental bodies or any corporation, society, association, foundation, or institution organized and operated exclusively for charitable, religious, or educational purposes;
(c) in producing electricity;
(d) in a petroleum refinery;
(e) for use in liquefaction and fractionation processes to produce value-added natural gas byproducts for resale; and
(f) in producing anhydrous ammonia and downstream nitrogen fertilizer products for resale.

State revenue collected

Fiscal year	*Receipts (millions)*	*Change*	*Fiscal year*	*Receipts (millions)*	*Change*
1994	$4,763.0	6.6%	1999	$6,124.1	6.2%
1995	5,072.9	6.5	2000	6,602.0	7.8
1996	5,246.9	3.4	2001	6,531.8	-1.1
1997	5,313.6	1.3	2002	6,617.0	1.3
1998	5,768.9	8.6	2003	6,563.4	-0.8



Distribution:

1. 80% of net revenue from 6.25% sales tax as follows:
   - (a) 1.75% to Build Illinois Fund;
   - (b) 3.8% to Build Illinois Fund to retire bonds;
   - (c) 0.4% to Local Government Distributive Fund;
   - (d) 0.27% to Illinois Tax Increment Fund;
   - (e) 80% of net tax revenue from sales of Illinois coal to a new electric generating facility that received state financial aid, to the Energy Infrastructure Fund (for the first 25 years that the facility buys Illinois coal).
   - (f) Remainder to General Revenue Fund, with 4 transfers out:
     - (i) 25% reserved for transfer to Common School Fund.
     - (ii) 25% of net revenue collected from RTA sales tax to Public Transportation Fund.

(iii) 1/16 of net revenue from counties and municipalities that have Downstate mass transit districts to the Downstate Public Transportation Fund.

(iv) 1/16of net revenue from Madison, Monroe, and St. Clair Counties to the Metro-East Public Transportation Fund.

2. 16% of net proceeds of the 6.25% sales tax to the Local Government Tax Fund.
3. 4% of net revenue from the 6.25% sales tax to the County and Mass Transit Fund.

Other taxes on sales

Federal: None.

Local:

(1) Goods except food and drugs: State law authorizes local governments to impose sales taxes, subject to the following requirements as to rates:

Home-rule units	0.25% or more in 0.25% increments (no statutory limit)
Non-home-rule municipalities	0.25% or 0.50% for property tax relief
Regional Transportation Authority (RTA)	0.75% maximum in Cook County; 0.25% maximum in DuPage,Kane, Lake, McHenry, and Will Counties
DuPage County Water Commission	0.25% maximum
Metro East Transit District	0.25% maximum

Sauget imposes a tax of 1.50%, and Rosemont and Joliet impose taxes of 1.25%; 19 other home-rule units including Chicago impose taxes of 1%; Cook County and 13 home-rule units, 0.75%; 23 home-rule units, 0.50%; and 10 home-rule units, 0.25%. The RTA, DuPage County Water Commission, and Metro East Transit District impose the maximum rates allowed. The Department of Revenue collects these local taxes along with the 6.25% statewide tax.

In addition, two non-home-rule cities, Rockford and East Peoria, are specifically authorized by law to levy sales and use taxes. Rockford's rate is 0.5% and East Peoria's is 1%.

Any county may hold a referendum to impose a sales tax for crime prevention, detention, or other public safety purposes. The tax can be imposed only in 0.25% increments. Such taxes have been imposed in LaSalle, Marion, Peoria, Pike, Stephenson, and Vermilion Counties.

(2) Food and drugs: The state collects a 1% tax on sales of food for consumption off the premises; food served in hospitals and nursing homes incident to providing other services; prescription and nonprescription drugs; and medical appliances. This tax is collected by the Department of Revenue and paid into the Local Government Tax Fund for distribution to municipalities and counties. The state does not keep any of this revenue. In addition, the state collects sales taxes on food and drugs for two transit districts (both imposing the maximum tax allowed).

Regional Transportation Authority (RTA)	1.00% maximum in Cook County; 0.25% maximum in DuPage, Kane, Lake, McHenry, and Will Counties
Metro East Transit District	0.75% maximum

(3) Use Tax: The increase in the general sales tax rate from 5% to 6.25% increased collections of use tax by 25% (1.25 ÷ 5). The additional revenue is distributed as follows:

(a) 20% to Chicago.
(b) 10% to RTA Occupation and Use Tax Replacement Fund.
(c) 0.6% to Metro East Mass Transit District.
(d) $37.8 million (through FY 2025) to Build Illinois Bond Account Fund.
(e) The remainder to the Local Government Distributive Fund (distributed by population to local governments other than Chicago).

(4) Restaurants: The Metropolitan Pier and Exposition Authority is authorized to impose a 1% retailers' occupation tax on restaurant and carry-out food in the area of Chicago bordered by the Stevenson Expressway on the south, Ashland Avenue on the west, Surf Street on the north, and Lake Michigan on the east; and at O'Hare and Midway Airports.

The following tables list rates collected in each locality or part of the state.

Items other than food and drugs

	Chicago	Suburban Cook Co.	DuPage	Other collar	Down-state	Metro East
State	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Municipal (or county in unincorp. areas)	1.00	1.00	1.00	1.00	1.00	1.00
County (countywide)	.25	.25	.25	.25	.25	.25
County home-rule	.75	.75	-	-	-	-
RTA	.75	.75	.25	.25	-	-
DuPage water	-	-	.25	-	-	-
Metro East transit	-	-	-	-	-	.75
City home-rule	1.00	.25-1.25	.25-1.00	.25-1.25	.25-1.25	.25-1.50
Totals	8.75%	7.75-9.00%	6.75-7.75%	6.50-7.75%	6.25-7.50%	7.00-8.50%

Food and Drugs

	Chicago	*Suburban Cook Co.*	*DuPage*	*Other collar*	*Down-state*	*St. Clair*	*Madison*
State	-	-	-	-	-	-	-
Municipal (county in unincorp. areas)	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
County (countywide)	-	-	-	-	-	-	-
County home-rule	-	-	-	-	-	-	-
RTA	1.00	1.00	.25	.25	-	-	-
DuPage water	-	-	-	-	-	-	-
Metro-East transit	-	-	-	-	-	.75	.25
Totals	2.00%	2.00%	1.25%	1.25%	1.00%	1.75%	1.25%

Other states' taxes

All but five states (Alaska, Delaware, Montana, New Hampshire, and Oregon) impose general sales taxes. Rates range from 2.9% in Colorado to 7% in Mississippi, Rhode Island, and Tennessee.

Rates in states bordering Illinois are 4.225% in Missouri; 5% in Iowa and Wisconsin; and 6% in Indiana, Kentucky, and Michigan.

Vehicle Use Tax

This tax is imposed on each motor vehicle given, transferred, or sold between private parties. Administered by Department of Revenue. (625 ILCS 5/3-1001 ff.)

Rate and base

(a) Vehicles valued at under $15,000:

Years since model year	*Tax*	*Years since model year*	*Tax*
up to 1	$390	7	$80
2	290	8	65
3	215	9	50
4	165	10	40
5	115	over 10	25
6	90		

(b) Vehicles valued at $15,000 or more:

Sale price	*Tax*	*Sale price*	*Tax*
$15,000-19,999	$ 750	$25,000-29,999	$1,250
20,000-24,999	1,000	30,000 +	1,500

(c) $15 for a motor vehicle sold or transferred among immediate family members in administering an estate (except transfer to a surviving spouse), or in reorganizing a business with no change in beneficial ownership.

(d) $25 for a motorcycle, motor-driven cycle, or motorized pedal cycle.

Exemptions:

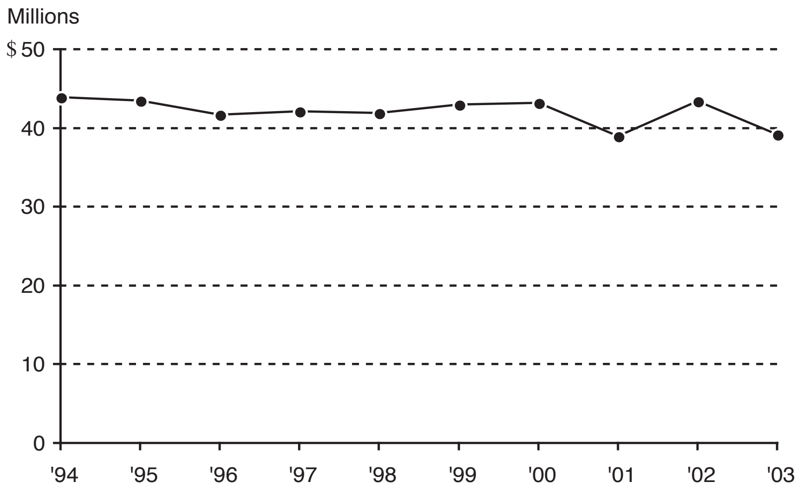
1. Vehicles taxable under the use tax.
2. Vehicles bought and used by government agencies, or by a society, association, foundation, or institution organized and operated exclusively for charitable, religious, or educational purposes.
3. Vehicles sold after issuance of junking certificates.
4. Vehicles transferred to a surviving spouse.
5. Vehicles for on-farm use only.

History: The tax was enacted in 1979 at $30 per vehicle. In 1981 motor vehicles over 5 years old were exempted. In 1985 the rate was changed to

5% of the selling price for vehicles up to 10 years old. The current rates, based on vehicle age and selling price, took effect in 1988. The tax will be discontinued when there is enough revenue to retire the Build Illinois Bonds.

State revenue collected

Fiscal year	*Receipts (millions)*	*Change*	*Fiscal year*	*Receipts (millions)*	*Change*
1994	$43.9	2.3%	1999	$43.0	2.6%
1995	43.5	-1.0	2000	43.2	0.5
1996	41.7	-4.1	2001	39.0	-9.7
1997	42.1	1.0	2002	43.4	11.3
1998	41.9	-0.5	2003	39.2	-9.7



Distribution: $5 million per year to the Build Illinois Fund; remainder to the General Revenue Fund.

Other taxes on vehicle use
Federal: None.

Local: No local tax is authorized by statute, but a home-rule unit probably could impose one.

Other states' taxes
Other states usually tax sales of motor vehicles between private parties at the same rates as they tax other sales.